THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS

BRITISH COLUMBIA CONSULTATIONS WITH THE PRIVATE SECTOR

EXECUTIVE SUMMARY

DECEMBER 1988

BURLINGTON & ASSOCIATES CONSULTING LTD. In Conjunction With OFFICIALS OF THE MINISTRY OF INTERNATIONAL BUSINESS AND IMMIGRATION

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PURPOSE

The purpose of the private sector consultation exercise on the Multilateral Trade Negotiations (MTN) was:

1. ***To seek information to supplement the Ministry's internal analysis***
2. ***To establish a communication link with private sector groups.***

THE CONSULTATION PROCESS

At the end of September 1988, more than **200 letters** of invitation from the Minister of International Business and Immigration were sent to private sector business associations and companies in B.C. A total of **73** groups responded to the request for consultations: **48** meetings were held, **12** written submissions received and **13** detailed telephone conversations took place. ***This is a response rate of 34% and must be viewed as very low*** compared to the 70% response rate in last year's private sector consultations on the Canada-U.S. Free Trade Agreement (FTA).

The Government of British Columbia attaches a great deal of importance to the Uruguay Round of MTN and believes it will have a profound influence on the economic future of the province. Judging by the response to this consultation process, a large proportion of the private sector does not appear to share the same level of awareness or expectation.

It is also clear from these meetings and discussions that the level of knowledge and awareness about the implications of the European Community's 1992 Project is also not very high in British Columbia.

One important conclusion of the consultations must, therefore, be that the Government should take further steps to educate and inform the private sector about the implications and progress of the MTN and the European Community's 1992 initiative.

TARIFF BARRIERS

Retain Protection

There were a few B.C. industries which indicated that they would be sensitive to the lowering or removal of domestic tariff protection, but in most cases these industries are also protected by non-tariff barriers. These industries include Shipbuilding and Repair, Plywood, some value-added Wood Products, Soft Fruit, and Communications Cable.

Remove Protection

Many respondents feel that they are either already internationally competitive, or they will soon be competitive as they make the adjustments necessary to compete in the U.S. market in response to the FTA. De-escalation or flattening of tariff structures would benefit B.C. industries which see growth opportunities in the higher value-added sectors. The following industries would like to see tariffs removed:

Industry	Tariff To Be Removed
Mining	• Korean tariff on molybdenum oxide • Canadian, U.S. and European tariffs on molybdenum grease • U.S. and Japanese tariffs on molybdenum catalysts
Lumber & Products	• various tariffs - U.K, Europe, Japan, Australia, Korea, China, India
Fishing	• European 25% tariff on smoked salmon
Chemicals	• tariffs levied by India on concrete chemicals and paints
Telecommunications	• one national company supports removal of tariffs on computer terminal equipment, particularly U.S. tariffs

Newly Industrialized Countries

To assist in the economic growth of the less developed countries (LDCs), many GATT members extend preferential tariff treatment to LDC exports. Many B.C. industries feel that this preferential tariff treatment should be eliminated for such newly industrialized economies (NIEs) as Korea, Singapore, and Hong Kong because their high rates of economic growth over

the last two decades have now placed them firmly in the ranks of the middle income countries.

NON-TARIFF BARRIERS (NTBs)

In many industries, non-tariff barriers are of greater concern than tariff barriers. The primary issues in this regard are market access, resource market access, standards, temporary immigration visas, and protection of intellectual property rights. Issues which did not draw much attention were reform of the GATT system, dispute settlement procedures, countervailing measures, and trade related investment measures. Responses by the private sector on these issues basically depend on whether the industry is sensitive to imports, or whether it is internationally competitive and looking outward at access problems in other markets.

Quantitative Barriers: Retain

Some Agricultural Commodity Producers that indicated their sensitivity to import competition were Cattle Farmers, Apple Producers, and supply managed commodity producers - Dairy Farmers, Egg Producers, and Chicken Producers.

Quantitative Barriers: Remove

B.C. industries would benefit from the removal of the following foreign import controls:

- the EC's tariff rate quota on plywood,
- the U.S. Nunn-Quayle Act restrictions on ship repairs by foreign companies on U.S. military vessels,
- restrictions by countries like India requiring the shipment of imports or exports in Indian vessels, and
- the concern expressed by Apple Producers about import quotas imposed in 1988 by the EC.

Export Controls and Resource Access

Canada and B.C. have export controls on raw logs, and on sockeye and chum salmon, herring, bivalve shellfish, and bulk water shipments. There are significant differences of opinion among interest groups within the Forestry

and Fishing industries about the value of the export controls, although the groups who feel the controls should be retained are dominant. ***Consequently, the Forestry and Fishing industries reject any attempt to negotiate a link between improved foreign access to Canadian natural resources and improved Canadian access to foreign markets.***

Groups with interests in the Bulk Water industry did not respond to the consultations and, therefore, their position is unknown.

Other industries, notably Mining, do not object to the proposal to negotiate concessions in resource access in order to obtain concessions in foreign market access.

Subsidies

Companies which bid on large international projects, such as Consulting Engineering companies and Telecommunication companies, would either like to see measures adopted in the MTN that would enforce greater discipline on the use of subsidized financing by countries like Japan, or they would like to see similar financing provided by Canadian governments.

Some small and medium sized companies who participated in the consultations commented on the value of the subsidies they have received for export market development and for product research and development. ***Accordingly, small and medium sized companies would be disappointed to see subsidies for export market development and for research and development disappear.***

Government Procurement

Canada is among the few (20 or so) countries to have signed the GATT code on government procurement practices. The Engineering Consulting and Data Processing and Computer Software industries would not be sensitive to the extension of the code to sub-national governments, but would want any changes in government procurement procedures to be reciprocal. The Telecommunications industry has some components, especially voice services, which are likely to require protection for some time. B.C. Architects would be uncomfortable with significantly more open procedures for government procurement.

Standards

Several major industries emphasized that the specification or administration of standards (i.e., quality, technical, health, sanitary) has impeded access to some important export markets:

Forestry:

- Japan's building code restrictions on the use of lumber in multiple family dwellings,
- the U.K.'s specification of tolerances for rough green softwood lumber.

Agriculture and Food:

- Australia and New Zealand's phytosanitary (plant sanitary) standards for certain agricultural products,
- European packaging and health standards in the food industry.

The Aquaculture industry feels very vulnerable to the imposition of standards for antibiotics or any procedure which requires inspection. The concern is that these standards or procedures could easily be implemented as non-tariff barriers (NTBs).

Generally speaking, however, the information received on standards questions was largely anecdotal. The government should, therefore, make an on-going effort to encourage the private sector to provide specific examples and details of standards used as NTBs, so that this data can be used effectively by trade negotiators.

The Agriculture and Food Processing industries and a Biotechnology company commented on other aspects of the standards issue:

- the use of certain chemicals or pesticides in the production of imported products which have not been approved for use on products produced in Canada,

- the slowness of the Canadian testing and approval process for new chemicals, pesticides, fertilizers, and drugs,

- the reluctance of Canadian authorities to use test results and approvals conducted elsewhere (especially in the U.S.).

B.C. and Canada should evaluate Canadian standards that may act to reduce Canadian competitiveness and should decide whether or not adjustments can be made in these standards in order to improve the ability of Canadian businesses to adapt to externally induced changes.

Intellectual Property Rights

The position of groups in regard to the issue of protecting trade related intellectual property rights (TRIPs) depended, in part, on whether or not they were net users or producers of intellectual property.

Producers in the Advanced Technology sector, Marine and Subsea industry, Data Processing and Computer Software industry emphasized the need for strong international protection of intellectual property rights:

Clear definition of rights and penalties for infringements as well as a counterfeiting code are urgently required at an international level. "Bootlegging" is so serious that it is significantly reducing investment in software development.

In Telecommunications, it is the scale and complication of software and other technology that makes theft difficult. In Machinery and Equipment, and other industries, it is the constant effort put into research that keeps companies ahead of their competitors. In this case it is most important to ensure open market access for their products so they can maintain the cash flow to keep up their research.

Because B.C. and Canada are such large importers and such small producers of technology, it was suggested by one respondent that B.C. may wish to consider encouraging an open system for importing technology.

Establishment and Investment Measures

An important association in the financial investment sector recommended that Canada should bargain for reciprocity, not national treatment as achieved in the FTA with the U.S., in negotiating lower trade barriers with other countries in financial services in the MTN.

Europe 1992 Single Market Project

It appears from the consultations that, with the notable exception of the Forest industry, most British Columbia industries have not given attention to the implications of the Europe 1992 Project for their markets.

Preparations for the harmonization of EC standards and codes in 1992 are now well underway, and it is important for affected B.C. industries to be

involved as early as possible in gathering information on, and preparing to react to, important EC decisions long before 1992.

The government should assist B.C. industries, which do not already have a substantial information programme, to be more informed about developments in regard to the Europe 1992 Project and the implications for B.C.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY iii

INTRODUCTION 1
- Purpose of the MTN Consultations 1

RESPONSE FROM THE PRIVATE SECTOR 2
- The Consultation Process 2
- Level of Participation By the Private Sector 3
- Future Involvement of the Private Sector 3
- Private Sector Opinions on Provincial Preparations for the MTN 4
- Position of Business Associations on the MTN 4
- Labour Unions 7
- Consumers Associations 7

GOODS SECTOR ISSUES 7
- AGRICULTURE 7
  - Background 7
  - General Sector Views 8
  - Supply Management 10
  - Aggregate Measures for Assessing Trade Distortions and Agricultural Support Programs 11
  - Import Quotas 12
  - Tariffs 12
  - Health, Sanitary (Plant & Food) and Technical/Quality Standards 13
- FOOD PROCESSING 13
- ALCOHOLIC BEVERAGES 14
- LUMBER AND SECONDARY WOOD MANUFACTURING 15
  - Negotiating Objectives 15
  - Tariffs 16
  - Non-Tariff Barriers 19
  - Resource Access 20
- PLYWOOD 21
  - Canada-U.S. Free Trade Agreement 21
  - Multilateral Trade Negotiations 22
- CEDAR SHAKES AND SHINGLES 23
- PULP AND PAPER 23
- MINING AND MINERAL PRODUCTS 24
- OIL AND GAS 27
- FISHING AND AQUACULTURE 27
  - Fishing 27
  - Aquaculture 28
- METAL FABRICATING 29
- MACHINERY AND EQUIPMENT MANUFACTURING 30

TABLE OF CONTENTS (continued)

ELECTRONICS AND ELECTRICAL EQUIPMENT 31
Electrical and Communications Equipment 32
Electronics 33
TRANSPORTATION EQUIPMENT 34
AEROSPACE 34
CHEMICALS, PLASTICS AND RUBBER 34
FURNITURE 35
APPAREL AND TEXTILES 35
SHIPBUILDING AND REPAIR 36
MARINE AND SUBSEA 37
ADVANCED TECHNOLOGY INDUSTRIES 38
SERVICE SECTOR ISSUES 40
TELECOMMUNICATIONS 40
COMPUTER AND DATA SERVICES 41
ENGINEERING CONSULTING 42
ARCHITECTURAL SERVICES 44
ACCOUNTING 44
FINANCIAL SERVICES 45
LEGAL SERVICES 45
INSURANCE 45
REAL ESTATE 45
CULTURE 46
TRANSPORTATION AND STORAGE 46
TRADE 47

CONCLUSIONS 47

GLOSSARY OF REFERENCE TERMS 56

APPENDIX 1
THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS
A BRITISH COLUMBIA PERSPECTIVE 65

APPENDIX 2
1992 AND THE SINGLE EUROPEAN COMMUNITY PROJECT 76

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It appears from the consultations that, with the notable exception of the Forest industry, most British Columbia industries have not given attention to the implications of the Europe 1992 Project for their markets.

Preparations for the harmonization of EC standards and codes in 1992 are now well underway, and it is important for affected B.C. industries to be involved as early as possible in gathering information on, and preparing to react to, important EC decisions long before 1992.

The government should assist B.C. industries, which do not already have a substantial information programme, to be more informed about developments in regard to the Europe 1992 Project and the implications for B.C.

REPORT

INTRODUCTION

In September 1988, the Minister of International Business and Immigration initiated a program of private sector consultations on the Uruguay Round of Multilateral Trade Negotiations (MTN). Preparations for this consultation included the development of a preliminary provincial position statement by his officials, included here as Appendix 1, and the hiring of a consultant to coordinate the consultations. At the end of September 1988, the Minister sent a letter to over 200 private sector business associations and companies inviting them to submit their views on the implications of the Uruguay Round of Multilateral Trade Negotiations and on the European Community's 1992 Single Internal Market initiative.

Purpose of the MTN Consultations

The purpose of the private sector consultation exercise on the MTN is similar to the purpose of the consultations on the Canada-U.S. Bilateral Trade Negotiations in 1987:

1. ***To seek information to supplement the Ministry's internal analysis*** and to incorporate the views of the private sector into provincial positions which will, ultimately, be presented to the Federal Government. Specifically, the consultant and Ministry officials sought to:

   (a) solicit the views of the private sector on the preliminary position paper and negotiating objectives of British Columbia for the MTN;

   (b) solicit specific information from the private sector on the nature and incidence of tariff and non-tariff barriers facing their exports, on their sensitivity to the removal of Canadian trade barriers, and on the implications of the European Community's (EC's) 1992 Project;

2. ***To establish a communication link with private sector groups*** in order to:

   (a) encourage the private sector to communicate its concerns and needs regarding trade matters to the provincial Trade Policy Branch in addition to other levels of government;

   (b) determine the awareness, importance and emphasis that private sector groups place on the MTN process (in particular, on issues that they perceive could be addressed in the MTN) and on the European Community's 1992 Project.

RESPONSE FROM THE PRIVATE SECTOR

The Consultation Process

At the end of September 1988, **210 letters** of invitation from the Minister of International Business and Immigration were sent to private sector business associations and companies in B.C. During October and November, while meetings were being arranged with these groups, an additional **6 letters** were mailed for a total of **216 contacts**. At a later stage, **29** more letters were sent to companies that were identified as having an interest in the consultations, but there was no time to arrange meetings with them. Written submissions were encouraged instead.

A total of **73** groups responded to the request for consultations: **48** meetings were held, **12** written submissions were received, and **13** detailed telephone conversations took place. ***This is a response rate of 34% and must be viewed as very low*** compared to the 70% response rate in last year's private sector consultations on the Canada-U.S. Free Trade Agreement. Of the **143** nonrespondents, 8 indicated they would let their industry association respond on their behalf, 18 committed to respond but did not (by December), 31 said that the issues did not affect them, that they did not have any views, or that they had limited expertise in the subject, 12 had miscellaneous reasons for not responding , 26 said they were too busy, 29 did not give a reason for not responding, and 19 simply did not respond to repeated attempts to contact them.

A few influential companies and associations chose either to provide information to the federal government only, with the possibility of keeping the provincial government informed at a later date, or to wait until after the Free Trade Agreement is ratified to make a response.

The Government of British Columbia attaches a great deal of importance to the Uruguay Round of MTN and believes it will have a profound influence on the economic future of the province. Judging by the response to this consultation process, a large proportion of the private sector does not appear to share the same level of awareness or expectation.

It is also clear from these meetings and discussions that the level of knowledge and awareness about the implications of the European Community's 1992 Project is also not very high in British Columbia.

One important conclusion of the consultations must, therefore, be that the Government should take further steps to educate and inform the private sector about the implications and progress of the MTN and the European Community's 1992 initiative.

Level of Participation By the Private Sector

Some general comments can be made about the participation of the private sector on a sectoral basis. The Wood Products sector was thoroughly prepared and participated fully in the consultations. The response from the Pulp and Paper sector was very limited and the association declined to respond at this time. In the Agriculture and Food Processing sector, the associations participated fully but there was very limited participation by individual companies. In the Alcoholic Beverages sector, useful discussions were held with the Breweries and the positions of other producers are well known.

There was substantial interest and participation by the Fisheries sector associations, perhaps driven by the implications of the recent GATT case, and in Aquaculture by the high growth rate and need to ensure market access by the industry. In Mining, while the association and some companies responded, several of the major companies did not respond. The Oil and Gas industry had little interest in the MTN.

Several Manufacturing associations participated and offered useful input to the consultations. Generally speaking, however, companies in the Manufacturing sector had a very low participation rate and demonstrated limited knowledge about the implications of the MTN; this includes Metal Fabricating, Machinery and Equipment, Electrical and Electronics Equipment, Chemicals and Plastics, Transportation Equipment, Aerospace, Marine and Subsea, Textiles and Apparel, and Furniture.

In the Service sector, certain subsectors such as Telecommunications, Engineering Consulting, Computer Software, and Architecture participated fully, while the participation of other Service subsectors was limited.

Future Involvement of the Private Sector

During the private sector consultations, the consultant and Ministry officials made a point of emphasizing the importance of continuing the process of communication and gathering information on trade barriers. The private sector was encouraged to take advantage of the ability of Ministry officials to provide information on trade and legal matters. It was continuously stressed that the Ministry and the federal trade negotiators need specific and detailed information about tariff and non-tariff barriers to trade in both quantitative and anecdotal forms. With some associations, the possibility of the association assisting with detailed information gathering was discussed. An association could, for example, publish a Ministry letter or request in its newsletter, it could carry out its own survey of members, or it could convene

a discussion group, seminar or conference of its members on this and related topics.

It is strongly recommended that the Ministry undertake a continuing program of communication with the private sector in regard to the MTN.

Private Sector Opinions on Provincial Preparations for the MTN

The Ministry of International Business and Immigration was often complimented by participants on the clarity, thoroughness, and appropriateness of its preliminary position statement. A major business association, for example, praised it as an excellent paper, ahead of any such work by any government in Canada. Moreover, the clarity of the material prepared for the consultations and of the questions by Ministry officials during the consultations was of great assistance to the consultant.

Position of Business Associations on the MTN

The major issues identified by business associations are:

- the implications of the Free Trade Agreement for the MTN,
- tariff reductions,
- the use of standards as non-tariff barriers,
- graduation of newly industrialized economies to full GATT participation,
- intellectual property rights and research and development (R&D) issues.

With the FTA approved, companies especially in Ontario and Quebec will have already accepted the need for adjustments. With free trade, Canada can use the tariff reductions as a lever on others in the MTN, especially Japan, to move ahead with their commitments.

It was suggested that B.C. manufacturers can live with absolute tariff freedom if they are first given time to adjust to free trade with the U.S. This means that B.C. companies will have to rationalize and develop market niches. This process has already begun, and there are many examples in the agriculture and food processing, forest harvesting and sawmill machinery, industrial numerical control, electronics, and marine and subsea areas. In all cases, it is technical change and innovation lead time issues that are critical, not tariffs. Thus, where technical and quality standards act as NTBs, they are viewed as more important barriers in terms of international market access than tariffs.

Business associations noted that the specification and administration of standards (i.e., quality, technical, health, sanitary) in many ways constitute significant NTBs and should have been emphasized, even more than they were, in the Ministry's position paper. Examples of such NTBs are:

- Japan's building code restrictions on the use of lumber in multiple family dwellings,
- Australia and New Zealand's phytosanitary (plant sanitary) standards for certain agricultural products,
- European packaging and health standards in the food industry.

During the consultations, Ministry officials and the consultant repeatedly asked the private sector (with little actual success) to provide concrete and detailed examples of trade barriers affecting their industry. The Ministry will have to be persistent and innovative in devising ways to research and catalogue standards and administrative procedures that constitute NTBs for B.C. exporters.

Other aspects of the standards issue which disadvantage Canadian producers include:

- the slowness of the Canadian testing and approval process for new chemicals, pesticides, fertilizers, and drugs;

- the reluctance of Canadian authorities to use test results and approvals conducted elsewhere (especially in the U.S.) in order to speed up the Canadian approval process and reduce the costs to Canadian producers, a matter of particular concern to smaller Canadian industries which cannot afford the same level of costs as their U.S. competitors;

- the use of certain chemicals or pesticides in the production of imported products which have not been approved for use on products produced in Canada.

Many of these problems are not really negotiable trade barriers. Rather they are domestic Canadian policies that have important implications for the costs of domestic businesses in Canada relative to the costs of their international competitors. They can only be addressed by Canadian governments.

B.C. and Canada should evaluate Canadian standards that may act as "internal" NTBs and decide whether or not adjustments can be made in these standards in order to improve the ability of Canadian businesses to adapt to externally induced changes.

As mentioned, in manufacturing, related service sectors, and large scale commodity sectors, the rate of technical change and innovation lead times are

keys to international competitiveness. Important contributors to this competitiveness are the rate of domestic innovation in R&D, the ability to receive and use the innovative ideas of others, NTBs that delay market access, the international protection of intellectual property rights, and the roles of the newly industrializing economies.

Two strategies for developing a competitive edge in R&D are to buy it and have an open-door policy on technology acquisition, or to produce it and protect it to some degree. Canada and B.C. have a very low rate of domestic investment in R&D, and are relatively ineffective in the transfer of technology or in its generation. B.C.'s R&D expenditures are only .7% of Gross Provincial Product compared to the 2.4% of Gross Domestic Product (GDP) which is the average for other Organization for Economic Cooperation and Development (OECD) countries. Canada, in turn, accounts for less than 2% of the world's R&D.

While the cost of purchasing technology is high, Canada has little flexibility in this regard, so it might be advantageous not to be too rigid about the protection of intellectual property rights, particularly if this can be used to negotiating advantage by B.C. ***It may be preferable for B.C. to encourage an open system of obtaining foreign technology given our position as a net importer of technology.*** The downside to such an approach has not been well enunciated at this point. The specifics of this argument need to be examined sector by sector. It should be noted the U.S., as the major generator of world research, and the largest technology producer, holds quite the opposite position and has made the protection of intellectual property rights a major Uruguay Round issue.

To assist in the economic growth of the less developed countries (LDCs), many GATT members extend preferential tariff treatment to LDC exports. B.C. business associations feel that this preferential tariff treatment should be eliminated for such newly industrialized economies (NIEs) as Korea, Singapore, and Hong Kong because their high rates of economic growth over the last two decades have now placed them firmly in the ranks of the middle income countries. This also allows such less developed economies as China and India to benefit more fully from these developing country preferences.

One business association, which primarily represents small business in Canada, noted that only one-third of its members export, and less than half of those export to countries other than the U.S. The biggest benefit of the MTN to small business would be the removal of tariffs on imported inputs. In the case of the U.S., temporary access of personnel is also very important since small businesses are focused on niche markets, and service is often a major component of securing a sale in a niche market. These concerns may also extend to other countries, but respondents were unable to provide specific examples.

Labour Unions

Only one labour union responded to the Minister's invitation and their concerns will be discussed in the appropriate industry section.

Consumers Associations

Consumer representatives indicated they were too busy to meet and lacked expertise in GATT matters. They generally support the reduction of trade barriers, especially tariffs, as this tends to lower the cost of imported products, and, indirectly, places a ceiling on the prices of domestically produced products.

GOODS SECTOR ISSUES

AGRICULTURE

Discussions with this sector involved a joint meeting with various agricultural producers, their associations and marketing boards. Many representatives of the associations attending these meetings also had interests in the private sector. The response rate from individual companies, however, was very low.

Background

The Ministry of International Business and Immigration provided the following background in its preliminary position paper:

> "Included for the first time in an MTN setting, the question of agriculture has elicited some of the most far reaching and drastic proposals of all the Uruguay Round negotiating groups.
>
> Generally speaking, the aim of the negotiations is to achieve a greater liberalization of trade in agriculture by bringing all measures which affect subsidies, import access and export competition under strengthened GATT rules and disciplines. Attention has initially focussed on the grains sector and, in particular, on the use of export subsidies. Other areas of interest include the reduction of import barriers, the development of an aggregate measure of protection/trade distortion, and the minimization of the adverse effects of technical and phytosanitary standards.

Several working papers have been tabled on the subject of agriculture. Perhaps the most provocative of these is the United States' proposal for a complete phase-out over 10 years of all agricultural subsidies which directly or indirectly affect trade and a similar phase-out of all import barriers. Not surprisingly, both the EC and Japan have responded with much more modest proposals in return. The EC, for example, has proposed a short-term "freeze" on agricultural support programs beginning no later than July, 1989.

The Cairns Group, of 14 medium-sized agricultural exporters including Canada, has proposed an immediate halt to the current export and production subsidy spiral, a standstill on other trade barriers (such as import quotas) and a commitment to the "responsible and non-disruptive" disposal of agricultural stockpiles. A second phase of adjustment is also proposed which would involve worldwide cuts or rollbacks in subsidies and a concerted opening of domestic markets to foreign products. Over the longer term, all trade-distorting subsidies and support measures would be eliminated, tariffs reduced (or eliminated), and agricultural trade placed firmly under GATT disciplines. Thus, the U.S. and Cairns Group proposals appear broadly compatible although they differ on the need for a short-term freeze on agricultural subsidies. The United States, for its part, appears reluctant to agree to any such move until the EC and Japan have agreed on a similar timetable.

British Columbia's interests in the agricultural negotiations are primarily focused on the red meats and horticultural sectors (including the soft fruit sector). Both these sectors enjoy a fairly high level of export orientation. In 1987, for example, British Columbia exported over $300 million worth of agri-food products (excluding fisheries products).

The export orientation of some British Columbia agriculture sectors must be weighed against the flexibility which the province may wish to preserve with respect to its supply management/marketing board regimes. A truly far-reaching liberalization of world agricultural trade must ultimately address the question of import controls which, in Canada, are imposed primarily in support of domestic supply management programs but which may have the consequence of limiting export market opportunities for agri-food products when similar measures are imposed in foreign markets."

General Sector Views

The focus of the agricultural associations tends to be on ways of providing stability in the industry. The focus of the government is on encouraging

economic growth in the industry. The expansion of exports is one way to achieve that growth and this appeals to both the government and the internationally competitive commodity sectors. Supply management and import controls consistent with GATT Article XI are more likely to appeal to producers who favour stability. The focus of the processing sector is closer to the government's and is concerned with the growth and development of niche export markets since, with a few exceptions, B.C.'s food industries are not world-scale in size.

The general objectives of the agricultural associations are:

- to encourage security of a high quality domestic food supply,
- adequate farm incomes, and
- the maintenance of the family farm as a productive, stable force in the rural community.

The general views of two major agricultural associations on the MTN are not inconsistent with the policies of the government. However, the government does have a stronger interest in achieving deep tariff cuts (while wishing to minimize the negative impacts on domestic producers) and in improving foreign market access (while maintaining flexibility with respect to domestic agricultural and resource management tools).

As expressed in their submission to the consultations, the two major agricultural associations support the initiative of GATT countries to bring a degree of order to the world trading situation; to reform agriculture policies; and to curb protectionist measures under the following objectives:

- ***meaningful consultation with the agricultural community at every stage of the negotiation;***

- ***careful, separate and equal consideration of each commodity sector within agriculture;***

- ***flexibility to maintain and develop domestic agricultural policies tailored to each commodity;***

- ***increased transparency in GATT rules and clear enforcement and dispute settlement; and***

- ***identification and evaluation of all forms of subsidies, both direct and indirect, before any discussions of the universal reduction or elimination of subsidies in agriculture.***

The following specific concerns and proposals were discussed in detail by the agricultural organizations: supply management, aggregate measures of

subsidies/trade distortions, seasonal tariffs, health and sanitary regulations, quality standards, specific concerns regarding dairy products, eggs, beef, and apples.

Supply Management

Supply management was a dominant topic in the discussions with the agricultural organizations. The views of these organizations differ from those of processors and consumers. ***In regard to supply management, these organizations recommend that the provincial government take the strongest possible position on maintaining, clarifying and strengthening Article XI of the GATT.*** The organizations argue that supply management solves many more problems than it creates, and thus should not be put at risk in GATT negotiations. In particular, it was noted that marketing boards:

- provide a reliable domestic food supply
- control output to limit surpluses
- are low-cost or no-cost to governments
- are of some cost to consumers but at least provide "price stability"
- contribute to the country's legitimate self-sufficiency and food security goals
- allow Canadian farm units to be smaller and more oriented to the family farm concept thus maintaining our agrarian heritage.

Concern was expressed about the implications of a recent GATT ruling and other developments for the interpretation of Article XI. Government representatives pointed out that Canada believes supply management is fully consistent with GATT, and B.C. fully supports this position. Questions from other GATT members relate to the specifics of our programs, especially dairy programs. The system itself is not under attack.

In addition to these concerns, generally shared by supply managed commodity groups, a major dairy organization called for:

- ***retention of fixed cheese quotas and a lower quota overall;***
- ***favourable definitions of "like" and "perishable" products, for the purposes of Article XI, thus permitting, for example, a call for quotas on ice cream and yogurt;***
- ***exclusion of the industrial milk subsidy from the list of trade-distorting subsidies; and***
- ***confirmation of prohibitions on butter and margarine imports .***

B.C. dairy producers argued that Canada must be given further access to the EC dairy products market before improving EC access to the Canadian cheese market.

The major concerns of B.C. egg producers focused on the provisions for import quotas under the Free Trade Agreement, rather than any MTN matters. A related issue is the amount of time (48 hours) that the Canadian Egg Marketing Board is allowed to source domestic table eggs before the purchaser can turn to import sources. This sourcing rule is a key variable in the granting of supplemental import permits for eggs.

B.C. apple producers are attempting to establish a supply management scheme for apples and have asked for the support of the provincial government. A number of developments have prompted this attempt. Imports have risen rapidly and now take 66% of the Canadian market and producers thus feel a general level of concern about import competition. Also, in April 1988, the EC imposed import quotas on apples. Canada was left "outside" the quota and producers are concerned the quota will develop into a 12 month quota.

Aggregate Measures for Assessing Trade Distortions and Agricultural Support Programs

Of the two methods put forward to quantify agricultural support and to provide a framework for a possible reduction in support, the agricultural associations interviewed reject the Producer Subsidy Equivalent (PSE) approach, but are willing to examine the Trade Distorting Equivalent (TDE) approach as a possible candidate. However, they require much more detail on how the calculations would be made before endorsing the TDE approach.

The PSE approach, as proposed by the OECD, attempts to place a value on every conceivable type of assistance provided to producers. The TDE approach proposed by Canada would attempt to determine which types of policies are trade distorting, and would then put a value only on them. Under such a proposal credit could be given for those programs that control production and reduce surpluses, programs such as supply management.

Regarding dairy products, B.C. dairy farmers stated that only dairy products which end up on the world market (approximately 1% of Canadian production) should be included in the Aggregate Measure calculations for the subsidy/price support. The industrial milk subsidy, the industrial milk target price and provincially-set fluid milk prices should also be excluded from the Aggregate Measure. B.C. dairy farmers have stated that they are prepared to drop all export subsidies for milk products, because, even with these subsidies, they lose money on every dollar of exports.

The agriculture associations also expressed some concern over the GATT discussion surrounding the decoupling of support for agriculture.

"Decoupled" support refers to the policy related income transfers to farmers that have little or no impact on their future agricultural investment, production, or trade decisions. Governments provide most agricultural support through commodity based price support/supply management programs.

Import Quotas

While an important objective of the MTN is the reduction of import barriers, a realistic appraisal of international competitive conditions leads agricultural associations to urge the government to support import quotas as the underpinnings of effective supply management programs and to limit imports into Canada, when necessary, to protect the domestic marketplace.

B.C. cattle producers would like to see an automatic trigger mechanism, or voluntary restraint agreement, incorporated into Canada's Meat Import Act, to stem the diversion of Australian beef into Canada once the U.S import quota for Australian beef has been filled. B.C. cattle producers are disturbed that they are expected to compete against uncontrolled imports when all other importing countries with a significant beef industry exercise significant import control. U.S. producers are concerned that, in response to Australian import pressure, Canadian producers will increase their exports to the U.S.

In 1986, imports of subsidized beef from the EC were found to be injurious to Canadian domestic producers, and a countervailing duty was imposed. The EC subsequently took the matter to a special GATT panel where it argued that the EC subsidized beef not cattle, and since beef is "unlike" cattle by GATT rules, the countervail position was unjustified. The GATT panel ruled Canada should drop its countervail duty. Canada has neither accepted nor formally rejected the finding. B.C. cattle producers, not surprisingly, recommend that Canada reject the finding. They would also like the government to do more work on the definition of "like" products in international trade actions.

Tariffs

Concern was expressed that seasonal tariffs on soft fruits were negotiated away in the Free Trade Agreement. B.C. fruit growers request these tariffs be retained in the MTN in order to control the importation of competing temperate climate fruits for processing.

Health, Sanitary (Plant & Food) and Technical/Quality Standards

These are very complicated, commodity specific subjects that are receiving a high priority in the MTN. "Standards" are primarily established for non-trade related purposes such as consumer and environmental protection, but they can also be designed or used as effective non-tariff barriers. Health and sanitary regulations should be distinguished from technical standards such as grading and sizing, or labelling and packaging standards. Non-tariff barriers associated with standards are associated not only with the rules that constitute standards, but also with the enforcement of the rules.

Agricultural associations support negotiations to reduce technical barriers to trade recognizing, however, that the integrity of our current high quality (and health and sanitary) standards must not be compromised. There needs to be an impartial means of dealing with these issues fairly and quickly. The maintenance of high standards is costly. Therefore, it is important that standards be applied equitably so that our industries can remain competitive.

Concern was expressed about the importation of agriculture products treated with pesticides not registered for use in Canada, and about the need for a rationalization of the chemical registration system. Grape producers, in particular, want a fast-track system for chemical registrations where the chemical is already accepted for use in the U.S.

Government officials specifically requested that each agricultural commodity group submit a list of potential bilateral problems with respect to the MTN in this area. The generation and submission of these lists will be coordinated through the agricultural associations and the provincial Ministry of Agriculture and Fisheries.

FOOD PROCESSING

As mentioned above, quality, technical, health, and sanitary standards issues are very important to the food processing industry. They would like to see a continuing reduction in the costs and time lags involved in Canadian administration of these standards.

The example of snow peas illustrates the concerns of the food processors. A large U.S. market now exists for snow peas, and Canadian producers and processors want access to it. However, the Canadian side is being delayed in pursuing this market opportunity because of the lengthy Canadian review process required prior to registration of a particular spray which is already accepted for use in the U.S. This is an example of the kind of unequal application of standards or technical regulations that prevents Canadian firms from capitalizing on U.S. market opportunities.

Food processors would like to see all offshore non-tariff barriers reduced, equalized or eliminated.

The B.C. manufacturing industry is generally not volume-oriented. It is a custom or niche market industry that cannot survive with NTBs. Food processors (and others) with leading edge technology, require a constant cash-flow to reinvest in R&D to remain leading edge. Non-tariff barriers disrupt this cycle, sometimes fatally.

Food manufacturers with niche markets that responded to the consultations included raspberry producers, a jam producer, and an egg processor. The raspberry producers favour free trade, but were unable to hold detailed consultations.

In regard to European trade, the jam producer would benefit from the reduction of the very high European tariffs on sugar and related products, as well as high subsidies. The 1992 Europe project will probably lead to an advance in food standards. However this will not be a problem for the B.C. jam producer at the high quality end of the market.

The egg processor was mainly concerned that the FTA, by enshrining supply management without allowing for adjustments in the costs of processors' supplies, does not contribute to reducing his costs or enabling him to be more competitive.

ALCOHOLIC BEVERAGES

The British Columbia government is well informed about matters in the alcoholic beverages industry and enjoys good communications with the industry.

B.C. grape growers have clearly presented their concerns with the Free Trade Agreement and the recent GATT case on provincial liquor board practices to the Government. They emphasized the value of the family farm and the need to preserve it as a way of life. In view of pressing immediate concerns they did not comment in detail on the MTN.

The B.C. wine producers held direct discussions with Ministry officials who are well aware of their views.

The distilling companies generally favour free international (and interprovincial) trade and the complete elimination of tariff and non-tariff barriers. They are very interested in the opportunities that could develop from the Europe 1992 Project.

The brewing industry is in a difficult situation. Interprovincial trade barriers have long been established and act to encourage local production. Among the large brewers, different companies have reacted to this situation in different ways, so that it is very difficult to find a consensus on policies to remove or lower interprovincial and international trade barriers.

The brewing industry cannot evaluate what might happen in the MTN until the results of the current GATT case are known. The primary objective of the industry is to have the industry excluded from the negotiations on the grounds that, because of interprovincial trade barriers, the brewing industry needs more time to rationalize itself.

FOREST INDUSTRY

LUMBER AND SECONDARY WOOD MANUFACTURING

B.C. sawmills export 70% of their total production volume (over $3 billion in sales in 1986). The industry exists because of export opportunities, but export competition is building, and tariff barriers are becoming increasingly important. Within these exports, 71% by value goes to the U.S., 15% to Japan, 10% to the EC, 3% to Australia, New Zealand, and other Pacific Rim nations, and the remaining 1% to a variety of other countries around the world.

The secondary wood manufacturing industry is still relatively small, but is expanding rapidly. Current direct employment of some 2000 people relates primarily to North American market opportunities so far, but this is the B.C. sector which has the ability to record the highest future growth both in employment and in terms of adding product value prior to export shipment.

Negotiating Objectives

The B.C. sawmill industry's basic objective is simple, namely, free trade on a multilateral basis for all softwood lumber commodity and speciality products. (The Canada-U.S. Free Trade Agreement will be ratified soon, but some bilateral issues will still remain.)

In the development of negotiating objectives, it is important to note that there are three priorities for international market development by B.C.'s sawmilling and wood manufacturing industry:

1. Ensure continuing opportunities in current markets where further significant lumber volume growth can be foreseen even in the short term: Japan (especially on dressed SPF lumber), EC, Australia.

2. Facilitate lumber entry into new markets where great export potential exists in the medium to long term: China, India (especially on rough lumber), Korea.

3. Enable the secondary manufacturing sector to become established in major or new offshore export markets: Japan, EC, Australia.

Other smaller markets of importance are Tunisia, Algeria, Taiwan, Mexico and Turkey.

Tariffs

British Columbia is concerned that the objective of achieving the deepest possible tariff cuts, including the elimination of tariff escalation, be given full attention. There is a risk that as other issues come to dominate the discussion in Geneva, this primary issue may be underemphasized by the federal negotiators.

Forest industry representatives provided detailed and thorough data on tariffs by export market and product category. They identified two separate issues with regard to tariffs: binding the tariffs, and reducing them. Binding tariffs means that a country incorporates into its own customs and tariffs legislation those tariff schedules it has agreed to in GATT negotiations. Canada has bound more tariffs than most countries and will continue to request other countries to do likewise. ***More detailed information on unbound tariffs would be helpful to both the Industry and provincial trade officers.***

Since the tariff rates of virtually all countries escalate with the level of value-added in wood products, ***a formula approach to tariff reduction would benefit higher value-added B.C. producers.*** Otherwise a strong preference was not expressed by the industry for one tariff-cutting approach over the other.

Canada has some significant tariffs (8-10%) on higher value-added wood products. However, because these producers will be exposed to U.S. competition under the Free Trade Agreement, they would only have to make minor adjustments to freer trade with the rest of the world. ***The benefits of improved world market access would outweigh threats of import competition in these higher value-added wood products.***

United Kingdom and Europe

Of particular concern are tariffs on planed lumber (4%) and finger-jointed lumber (4.9%). In both cases, products from European Free Trade Association (EFTA) countries are granted duty free access, putting Canadian producers at a substantial disadvantage. The category of finger-jointed lumber has a very large potential to develop while planed lumber presently accounts for an important proportion of Canadian lumber shipments to Europe. It is estimated that the impact of eliminating these tariffs could be the growth of some $100 million in annual trade within five years in dressed lumber products, particularly in high value joinery components.

Japan

Many B.C. lumber products sold to Japan are subject to tariffs. The most significant tariff is the 8% tariff on SPF (spruce, pine, fir) dressed lumber, the main product of the B.C. interior industry. This tariff is currently subject to a GATT panel review because it is not imposed on a very similar hemlock product from the U.S. There are also tariffs on rough pine (4.8%) and fir/spruce/larch (6%) lumber, and such value-added products as laminated lumber (15%), and mouldings (4.8%). If tariff barriers were eliminated, forecasts indicate an additional $25 million per year in dressed SPF dimension lumber sales, rising to some $200 million within five years. The growth in value-added manufactured products could be up to $200 million per year in the longer term.

Australia

Canadian dressed lumber is subject to a tariff of 10% to 13% into Australia, yet there is no duty on lumber from New Zealand or most other South Pacific countries. Western red cedar panelling and siding attracts a duty of anywhere from 2% to 14% depending on the degree of finishing, yet western red cedar is a species unique to the Pacific Northwest and does not displace any domestic species in Australia. It is also important to note that Australia's unbound tariffs jump around quite erratically. However, since the current trade relationship with Australia is reasonably satisfactory, B.C. industry representatives are not particularly interested in pressing Australia for trade liberalization measures, although some major B.C. exporters might have a different view.

Developing Countries

Issues which are important in regard to developing countries are: the question of binding tariffs, the very high tariff levels, the newly industrialized economy preferences, and issues in the Tropical Products Negotiations.

Korea

Because of the poor quality of concrete housing, Korea is seen as a worthwhile lumber market. The tariff on rough lumber is 15%, and on both dressed lumber and finished products it is 20%. Because of its need for lower grade products, and because market demand is less quality conscious, Korea provides an interesting complementary market to Japan. Korean lumber market growth of $50 million per year is expected if tariffs and other barriers can be eliminated.

China

China is an area that can be eased into slowly. While China's tariffs are high (for example, 40% on dressed lumber), they are not the most important barrier to expanding markets for B.C. forest products. The basic issues in exporting to China are the availability of foreign exchange, and the economic efficiency of using high cost imported materials relative to low cost domestic materials. China would prefer to buy raw logs (9% tariff), but the B.C. industry is willing to go along with this only to the extent necessary to increase higher value-added exports. Forecasts indicate market growth of up to $100 million per year in the short term, although this would require progress in China's foreign exchange availability and economic development.

India

India has very high tariffs of 50% on rough and dressed lumber and up to 100% on some value-added products reflecting foreign currency availability and other economic development problems. Even in the face of current high tariffs, some B.C. product does move into the Indian market. If existing tariff and non-tariff barriers are lowered, potential minimum annual sales of $100 million in the very short term are forecast.

Other Countries

A possible annual growth potential of $200 million is forecast in aggregate for Tunisia, Algeria, Taiwan, Mexico and Turkey, especially if related counter-trade and credit difficulties can be overcome.

Non-Tariff Barriers

Japan

The B.C. forest industry has been working on building code issues for many years in Japan. The main remaining issue concerns the use of wood in horizontally separated three storey buildings (i.e., apartment blocks) in regard to fire/earthquake considerations. It appears this issue can be dealt with outside an MTN setting. No other NTBs were mentioned, although there are serious problems with the impenetrable and multilayered domestic distribution system.

United Kingdom and Europe

In preparation for the Europe 1992 Project, the EC is putting a major effort into eliminating barriers in internal trade by harmonizing national codes. There are basically three classes of barriers to internal trade in the EC:

1. Physical barriers such as customs and immigration controls which are maintained for information and statistical purposes;

2. Technical barriers which involve a large number of standards and codes such as product standards, building codes, health, and phytosanitary (plant sanitary) regulations; and

3. Fiscal barriers as the result of different rates of excise and value-added taxes.

At the present time, 286 different measures have been identified as barriers or impediments. In the process of harmonizing national standards, many adjustments will be made that have major implications for external trade. The major concern of foreign producers is that, if their products no longer conform to European standards after 1992, they may have to undertake expensive or prohibitive changes in manufacturing processes.

A number of technical committees have been set up to advise the European Parliament on the harmonization of standards and codes. Two of these committees are concerned with lumber and plywood standards and codes. The B.C. industry has been monitoring the selection and progress of these

committees but has no direct representation on these committees. European domestic producers, on the other hand, are obviously close to the country negotiators, and even representatives of EFTA are represented at the discussion table. This puts foreign producers and European consumers at a disadvantage in the standards setting exercise.

Canada's closest contact in this process is the United Kingdom which enjoys equal representation on these committees with France, Germany and Italy. This is helpful, not only because it gives Canada a sympathetic ear on these committees, but also because the U.K. is often the only country with current standards for certain products. On the other hand, even though B.C.'s mills already produce to U.K. standards, there could be future changes as the standards evolve. An example of this problem is the new standard the United Kingdom has developed for tolerances on rough green lumber. Interior B.C. producers are concerned about the unnecessary tightening of these tolerances. (The interior producers also mentioned phytosanitary issues in regard to bark on green wood going to the U.K.) This type of change could make it difficult or impossible to market rough green lumber in Europe. However, the desire to preserve good relations with the U.K. makes it difficult to be too forceful in pushing for changes in this area, and government intervention is not requested.

It was clear from discussions with industry representatives that EC preparations for the harmonization of standards and codes as part of the Europe 1992 Project are well underway. ***It would be valuable if other affected sectors such as fisheries were made aware of these developments. The time to influence changes in EC standards and codes, or to prepare for changes is now, not 1992.***

Resource Access

The EC has indicated a desire to link the issue of resource access to the reduction of tariffs. As noted in its preliminary position statement:

"British Columbia would strongly object to any attempt to enshrine the concept of guaranteed access to natural resource supply, even if such an approach were linked to a trade-off in the form of expanded foreign market access for Canadian products. British Columbia's objections to this concept are predicated upon the negative implications that such a policy would have for domestic resource conservation and management.

Also of concern to British Columbia is the stated willingness of the federal government to consider opening up negotiations on natural resource export controls in exchange for possible progress on foreign barriers to trade in semi and fully processed natural resource products. British Columbia would have

particular difficulty with such an approach because of its residual export controls on some natural resource products."

Although some groups in the forest industry would be willing to allow log access in exchange for lower tariffs, the major industry associations prefer the current system and would reject any change. The current system can be justified in GATT terms on the basis of requirements for resource management. It is notable that all provinces except Manitoba have export log controls.

PLYWOOD

The Canadian plywood industry is concentrated in British Columbia where 85% of Canadian plywood is produced. The industry is estimated to employ 1000 people in 22 plywood and veneer manufacturing plants. Over 80% of plywood produced in B.C. is used within Canada. Only $2.9 million (or 3%) of plywood exports are shipped to the United States.

The relatively small value of plywood exports to the U.S. is a direct result of the existing 20% U.S. tariff on plywood imports. Similarly, Canada imposes a 15% tariff on plywood imports. Plywood imports into Canada from the U.S. totalled approximately $20 million in 1987.

Canada-U.S. Free Trade Agreement

The FTA proposes to eliminate plywood tariffs in both countries over a ten year period. These tariff reductions are contingent upon acceptance by both countries of common plywood standards. The large domestic market, lower labour costs, and the ability to concentrate on fewer products has allowed U.S. producers to enjoy significant economies not available to their Canadian counterparts. It is likely that this advantage, combined with exchange rate changes over the past eighteen months (if maintained), could result in a massive increase in shipments of U.S. plywood into Canada. If Canadian producers are to survive, let alone grow, they will need to penetrate the U.S. market. Interior B.C. plywood producers are very concerned about competition in the eastern Canadian market from U.S. producers.

Canadian plywood has a reputation within the U.S. and overseas as a higher quality product than U.S. plywood. Over a number of years, Canadian producers have developed offshore markets for B.C. plywood, and believe that similar initiatives will pay dividends in the U.S. if tariffs are reduced under the FTA. In this case, there will be a need to establish new market niches for the Canadian product in the U.S., and then to actively promote the appropriate Canadian plywood products. Then, the industry may need

retooling, and would have to modernize and position itself to become more competitive.

A binational committee has been established to develop common plywood performance standards as the basis for resolving the plywood standards dispute between Canada and the United States. Meetings are currently taking place and research and recommendations are expected to be complete by the end of 1989.

Multilateral Trade Negotiations

In terms of reducing the current 15% Canadian import tariff, the main problem for B.C.'s industry is import competition from the United States as mentioned. Current imports into Canada from non-U.S. suppliers (for example, Indonesia) are often for non-competing uses like door veneers, and have not been a problem for B.C. producers. ***Assuming Canada is able to get significant concessions on plywood from others in terms of increased market access, the industry could see Canada agreeing to reduce its tariff to 10%.*** This level permits trade but provides some protection against depressed prices and dumping during the inevitable downsides of cyclical markets.

European Community

The key softwood plywood issue with regard to the European community is the tariff rate quota that was put in place with the expansion of the EFTA. The tariff-free quota is 650,000 cubic metres annually. Canada faces increased competition from other suppliers, especially the U.S., and the quota is usually filled within the first four or five months. Above quota shipments face a 10% tariff and account for an additional 350,000 cubic metres/year. There was a proposal several years ago to combine tariff classifications, but the French, with a small uncompetitive industry to protect, sought a 7% combined rate rather than the 3% which would result from a weighted average of the 0% quota rate and the 10% ex-quota rate. Recently, France has built a huge plywood plant which will be increasingly supplied by plantations in France, so it remains to be seen what France's position will now be on the tariff rate quota.

The industry's preferences for changes in the tariff rate quota system, in order of preference, would be:

1. ***eliminate the tariff***
2. ***expand the duty free quota***
3. ***eliminate the quota and harmonize it to a weighted average of the tariffs.***

Other changes in the present tariff rate quota system have been proposed, but they are not acceptable to the B.C. industry. Since we have excess capacity in the winter season, our ships take plywood to Europe early in the new year, and thus the present system is not particularly objectionable from a timing point of view.

Japan

The current plywood tariffs in Japan are 10% on softwood plywood, and 15% on hardwood plywood. Indonesia has the dominant position in Japanese imports, with hardwood plywood shipments having increased ten-fold since 1980. Canada is the second most important supplier, but at much lower levels than Indonesia. Korea and the U.S. follow Canada in import levels. ***Given substitution possibilities, Canada may not benefit much if both hardwood and softwood tariffs went to zero, or were cut with a harmonizing formula.*** Indonesia, on the other hand, would be a big winner.

Other Countries

Most countries use the tariff as the principle barrier, and many plywood tariffs are quite high. Thus, the primary objective should be to get these rates down, and to bind them against unilateral increase.

CEDAR SHAKES AND SHINGLES

This sector did not respond to the request for consultations.

The U.S. has a 35% safeguard tariff in place, but it is declining, and the question is really one of binding the U.S. tariff at a zero percent rate of duty. Imports to the EC and Australia are duty-free, but the tariff is not bound. There is a classification problem with Australia. Imports to New Zealand are duty-free but subject to import licensing. Imports to Japan, Korea, China, and Taiwan have not been specifically researched, but may have duties from 30% to 70%.

Presumably the negotiating objective of the industry would be to eliminate tariffs and remove other barriers.

PULP AND PAPER

The response from this sector was limited. The industry association did not respond.

Some sectors of the industry are internationally competitive and may benefit, or at least not be adversely affected, by freer trade. However, since they did not respond, it is difficult to say. Other sectors such as corrugated paper or coated papers may need an adjustment period to become competitive with the U.S. under the FTA before they can adjust to a competitive international environment. Tariffs in this sector escalate significantly.

Coated paper has a 6.5% Canadian tariff, and the sector is more concerned with import competition than improving export markets, but the companies consulted generally support freer trade. Korea and Scandinavia are considered the main competitors outside the U.S.

The Canadian tariff on corrugated medium paper is 4%, on linerboard 6.5%, and on corrugated boxes 9.2%. In B.C. a variety of considerations cause the industry to be less specialized with shorter production runs and lower efficiency than producers in larger markets. Corrugated paper is a commodity, but box sizes make boxes a more unique product. The product is bulky and low value which tends to restrict the supply area.With the FTA, the market will be north/south, and some time will be required to make the transition to specialization.

Since product demand is derived from a broad range of industry sectors, sales are most closely tied to growth in GNP. Thus, the implications of the FTA and the MTN for major customers are as important as changes in industry tariffs. In general, any development that encourages more processing in B.C. is viewed as beneficial. Major customers include breweries, wineries, and fish processors. The corrugated paper sector is concerned that concessions in the MTN, related to sectors including its major customers, be no more liberal than in the FTA.

Further communication with this sector is required before a definitive statement of their views can be presented.

MINING AND MINERAL PRODUCTS

The response from this sector was low, because the tendency was to rely on the industry association to represent the industry's interests.

The British Columbia mining industry is in favour of a more open world trading environment. Quite simply, the industry depends on trade for its existence. The unimpeded flow of goods, both imports and exports, is crucial to the industry's long term survival and will contribute to the enhancement of an already highly productive sector of the economy. In particular, ***the industry supports the objective of achieving "the deepest possible tariff cuts***

attainable (including the elimination of tariff escalation) while minimizing the negative impacts of such a strategy on British Columbia's own domestic producers".

The B.C. mining industry also supports the move to have the newly industrialized economies assume their full GATT responsibilities.

Just as it is important to have an open international trading environment, it is equally important to the industry to avoid trade distorting features within Canada. For instance, tariffs imposed on products purchased by the B.C. mining industry have totalled approximately $10 million per year over the last four years. On major capital items, the industry has had reasonable success with duty remission. However, the process is slow and with the new tariff classification, other problems have arisen. The best solution is tariff-free trade.

The industry also supports the elimination of non-tariff barriers, both externally and domestically. ***Thus, the mining industry would favour a proposal to open negotiations on natural resource export controls in exchange for progress on foreign barriers to trade in processed natural resource products.*** The industry supports the emphasis being placed on the definition and removal of subsidies and countervailing measures, while recognizing that subsidies are sometimes valuable for achieving socio-economic objectives.

Molybdenum Products

Of specific concern are tariffs on molybdenum products which escalate as value is added. The U.S. has a tariff on molybdic oxide of about 5% and Latin American countries also have high tariffs. An important concern are the high Korean tariffs: molybdenum disulphide carries a duty of 3.5% while the higher value added product, molybdic oxide, carries a duty of 22.5%. This high duty effectively prohibits the export of molybdic oxide from Canada to Korea. Instead, molybdenum disulphide is exported and then roasted in Korea. The Korean roasters are apparently old in design, small in scale and generate considerable pollution. This tariff prevents the value from being added in British Columbia, and effectively adds costs to the Korean steel industry. B.C. has a tremendous capability to meet foreign demand.

There are also tariffs on specialty molybdenum products, notably grease and catalysts. For grease, quality standards, comprised of West German technology, and Canada and U.S. ore quality, are so high as to be barriers to entry , so that ***the Canadian 5% tariff on grease, the U.S. 4.3% tariff, and the European tariff would be good candidates for removal. For catalysts, the U.S.***

has a 4.3% duty and Japan has a 5% duty which the B.C. industry would like to see removed.

Copper

As a practical matter that relates to copper pricing, ***B.C. producers do not wish Japan's copper tariff to be removed.*** Canada also has tariffs on alloys of copper, lead and zinc. However, these tariffs are of no interest to British Columbia although they may be of interest to eastern Canadian producers.

Coal

In 1987, the value of B.C. coal shipments was about $875 million. Exports accounted for 95% of production, with 57% going to Japan, 16% to Korea, about 3.5% to each of Brazil and the U.S.A., and about 2.5% to each of France and Taiwan. The major industry concern is the large subsidies paid to support the black coal industry in Europe, especially in West Germany. Presently, these subsidies amount to C$84 per tonne, which puts German markets out of reach to B.C. producers. Australian producers face the same difficulties and are currently taking the Europeans to task on their high levels of support. With lower entry barriers, B.C. coal could be competitive in Europe with South African and Polish coals. The B.C. industry does admit that all coal producing countries, including Canada, subsidize coal production to a certain degree, so the primary concern is with excessive levels of subsidization.

With regard to its sensitivity to import competition, the B.C. industry is concerned about unfair subsidization of new Colombian and Venezuelan coal exports to Quebec. Nevertheless, the industry does not consider protection of the domestic market to be necessary. On the question of competition, however, the industry does object to the subsidization of nuclear energy technology exports by the Canadian government as well as other governments, especially France. Nuclear fired power plants compete directly with coal fired thermal power plants.

Tariff barriers are not a problem for coal producers in terms of access.

Because coal from different regions or even different areas in the same coal field can have different qualities, standards for coal can be used for discrimination purposes. For example, the coal classification system developed and used in Europe has a high degree of compatibility with the coals available in Eastern Europe and the Soviet Union. B.C. producers are often unable to supply the coal specified by the European classification standard.

With regard to asbestos, the industry noted that there are no major trade barriers, but there are many small irritants. Since the product is shipped in small lots, customs practices and documentation can be time consuming. Countries such as India cause difficulties with their insistence on the use of Indian flag vessels for shipping, and with central purchasing organizations that are likely to try and impose countertrade obligations. Some countries like Chile, Portugal and Peru require import licences which are a nuisance. Some countries like Venezuela, Indonesia, Iran, Nigeria, Angola require detailed pre-inspection of shipments, and this is also a nuisance. Under the terms of their agreements with the B.I.D. (InterAmerican Development Bank) group, some South and Central American countries require cargo shipping on vessels of countries which are members of the B.I.D.

OIL AND GAS

The Oil and Gas associations said that they had no comments on the MTN because B.C. energy trade was essentially only with the U.S.

FISHING AND AQUACULTURE

Fishing

A substantial number of the major fishing industry groups responded to the consultations. Meetings were held with six groups, an in-depth telephone meeting with one group, a written submission was received from one, there was no response from four groups, and one group indicated it felt a response was unnecessary.

Because the industry depends so highly on exports, the general philosophy is supportive of free trade and the elimination of tariff and non-tariff barriers to international trade in fish products. In fact, there are very few barriers to exports of B.C. fish products. With regard to import competition, the only real concern is with foreign access to the Canadian natural resource. This problem was the focus of most of the comments made during the discussions.

The resource access problem referred, in fact, not to an MTN issue, but rather to concerns regarding the Canadian response to the November 1987 GATT panel ruling on a U.S. complaint about Canadian export restrictions on pink and sockeye salmon, herring, and bi-valve shellfish. Essentially, the GATT panel rejected the Canadian arguments that these restrictions were based on Article XI and Article XX of the GATT. (Article XI permits export prohibitions necessary to the application of standards and regulations for the classification, grading or marketing of commodities in international trade. Article XX permits the adoption of measures relating to the conservation of exhaustible

natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.) The GATT panel ruling required the restrictions to be removed by January 1, 1989.

Considering the importance of the GATT panel ruling to the industry, the private sector consultations had difficulty moving the focus of discussion to MTN matters. Since many of the groups were producer groups with limited knowledge about the specifics of foreign markets and possible trade barriers, only the representatives of the fish processing sector had much to say on this subject.

The only tariffs mentioned by participants were a 25% European tariff on smoked salmon, and an Australian tariff which can potentially be used in retaliation against possible Canadian beef import restrictions. Removal of the European tariff on smoked salmon would be beneficial.

In regard to non-tariff barriers in the form of technical and other standards, the Australian concern with fish disease problems was noted. There was concern about Australian restrictions on frozen salmon, and about the possibility of different standards for farm fish versus wild fish. This distinction would open the door for the possible erection of NTBs that would benefit a fledgling salmon farm industry farm in Australia. In regard to Europe, there are some concerns about the tightening of the restrictions on inspection of fish products. For example, Italy has implemented destructive analysis of smoked salmon and this could be extended to other forms of salmon. Measures may also be taken to put NTBs in place to protect the salmon farm industry. This leads to a concern with the implications of the harmonization of standards in regard to the Europe 1992 Project.

Aquaculture

The B.C. aquaculture industry comprises several species, but it is salmon farming which draws the most attention. Salmon farming is very much in a high investment/high (almost exponential) growth phase. At the moment many potential markets are not even being served due to supply constraints. The distribution and marketing infrastructure is still developing. The market will continue to change very rapidly over the next three years or more. The present target market is the North American restaurant market. In the last six months, the Japanese market has become more interested in B.C. farmed salmon.

For 1988, the world production of farmed salmon is expected to break down as follows: Norway - 80,000 tons (greater than B.C.'s wild salmon catch), Scotland - 20,000 tons, Chile - 5000 tons, B.C. - 5000-6000 tons (1989 - 12,000 tons).

Salmon farmer views on trade matters may be rather different from those of salmon fishermen and processors. For example, since all exports of farmed salmon product are currently destined for the U.S., ***the industry advocates a GATT consistent position on matters like the GATT panel case,*** because it is very concerned about the effects of possible retaliation from the U.S. The industry would also like to preserve its flexibility, and it does not have the same view of resource access as the processing industry. Some salmon farmers would like to preserve the option of processing in Bellingham, although, in general, for quality insurance purposes, fish will be processed close to home. Some salmon farmers are also willing to consider protection of domestic processing if there is no risk of retaliation.

Tariff issues for salmon farmers are identical to those for other producers.

Regarding non-tariff barriers, the industry's product is vulnerable to any procedure that requires inspection. Canada itself has very imposing regulations and standards under the Fish Health Act that external suppliers must submit to, such as facilities inspection and destructive sampling. ***An example of the vulnerability of the industry is the problem of antibiotic residues in fish from disease treatment.*** Another example is the public misinformation over hormone treatments. Recently in the U.S., there were also some difficulties with the U.S. customs' interpretation of new sampling procedures.

The issues mentioned above are all matters of concern with regard to the EC's harmonization of standards for 1992, but the industry really needs more information. More research on scientific issues related to healthy tolerance levels for antibiotic residues is also important.

METAL FABRICATING

There was a limited response to the consultations from this industry. One meeting was held, one written submission was received, and one written submission was promised. Seven companies indicated that they had no issues to discuss, or that they were not responding.

A meeting was held with a steel wholesale supplier, that is, a service centre business, with sales of $50 to $60 million per year and employment of two hundred people. The objective of the company is to ensure that B.C. companies get steel at a price and in a quantity that will keep B.C. businesses competitive with other countries. Vancouver is a tidewater port with the second largest tonnage in the world. Ships destined for Vancouver always have empty bottoms to fill, so that ocean freight is very cheap.

Canada presently has tariffs on steel of 5% to 7%. However, the main industry concern is with the constant pressure brought to bear by domestic steel companies on the federal government to consider dumping complaints against foreign suppliers. It is easy for the large Canadian steel companies to disrupt steel supplies to small B.C. wholesalers. More recently, Ottawa has put in place a system of import and export licensing rules. This permit system is so far "for information only". However, wholesalers are concerned that the bureaucracy has now been established to control imports. When it comes to import controls, it is very important for B.C. to keep in mind that coal is the Port of Vancouver's number two export, and the principal purchasers of that coal are foreign steel producers.

The B.C. steel supplier industry is very concerned about the possible extension of the U.S. system of Voluntary Restraint Agreements (VRAs) to include Canada. Canadian steel producers are also concerned about pressure from the U.S. industry to grant this extension. The U.S. uses this form of VRA to get around GATT injunctions against the restriction of imports. The B.C. industry's concern is that the FTA will lead to trading block behaviour which in turn may mean the extension of import control policies to the trading block. Ultimately, this may mean that B.C. steel users will have to pay an additional $100 per ton or more for steel.

MACHINERY AND EQUIPMENT MANUFACTURING

There was a limited response to the consultations from the Machinery and Equipment industry. The one meeting that was held was with the industry association, and one company asked the association to handle its interests. One company unavoidably had to cancel a meeting, and one company responded with a detailed telephone conversation. Six companies had nothing to say or were too busy.

The industry association noted that tariffs are important in this sector. The B.C. industry is concerned that domestic tariffs have dropped much more quickly than for other industries - from 25% to 17% to 9.2% and within 5 years to 0%.

Since the U.S. applies only a 2.2% tariff, the main concern is with the tariffs of offshore countries, especially Australia and New Zealand, where forest related machinery, in particular, has a big potential market. Australia and New Zealand have very high tariff rates, greater than 20%. Some B.C. producers have had to set up licensing arrangements with local manufacturers in order to sell into these markets. A B.C. manufacturer of conveyer equipment has also had difficulty with Australian tariffs.

Generally the industry would agree with GATT tariffs being reduced to zero, as long as a fair approach (i.e., rates do not fall faster than in other sectors) is taken. On the import side, since material costs are a big segment of production costs, any improvement in the costs associated with the metal fabricating industry, for example, by removing trade barriers, would be encouraged.

The association is not aware of any significant NTBs facing the industry. The association would be willing to help circulate to its members a specific Ministry request for detailed information on such trade barriers.

In regard to the U.S., the comments of a specialized log processing machinery manufacturer focused on the "border bureaucracy" as the main impediment to trade, much more than the 4-6% U.S. tariff. With very expensive, high tech machinery, it is crucial to be able to supply parts and service quickly and without red tape. In the last 2-3 years, difficulties with entry of temporary service personnel have also increased. Such difficulties have not been experienced overseas.

This same company has had long experience licensing companies in other countries to produce parts of its machinery. It has licencees in the U.S., Japan, Australia, New Zealand, Austria and Sweden. The most important reason for licensing is to provide distant customers with convenient domestic service. It is some relief for customers to know that component parts are readily available. The parts of the machinery made by the foreign licensee are those which require the most freight, so that only the "heart and lungs" of the machine need to be supplied by the owner. This gives the original manufacturer some control over copying. However, the main protection against copying is that the owner must always be ahead of competitors in the development and refinement of his technology. Thus intellectual property rights issues are certainly of interest to such high tech B.C. companies, although no specific recommendations for trade policy were offered.

ELECTRONICS AND ELECTRICAL EQUIPMENT

The response from this sector was quite limited. Meetings were held with two major companies and one smaller company and a telephone interview with another medium sized company. Eight companies were either too busy or declined to participate, one said that it might participate. The industry association declined to participate.

Part of the difficulty may be in the fact that this is not really one industry sector, but several. Major communications equipment and components suppliers can, and should, be distinguished from the more specialized electronics manufacturers because of their close ties with the monopolized telecommunications industry.

Electrical and Communications Equipment

A meeting was held with one of the two communications cable producers in British Columbia. The company, a subsidiary of a multinational company, produces copper (45% of production) and fibre optics (55% of production) communications cable and has 115 employees. The North American operations have now been structured as a single management entity. The company has a mandate to market in Canada and the U.S./Caribbean, however, it has discontinued selling copper cable to the U.S. because of low prices. Its primary customers are domestic Canadian telephone utilities.

Most countries protect their communications market and many protect the communications cable market. The international cable market is extremely competitive with large Japanese, Korean, and Taiwanese producers in Asia, Ericksson in Europe, and major U.S. producers. While there are significant tariffs in the cable industry, the primary trade barrier is protective bidding procedures both from private and governmental purchasers. For example, Canada has tariffs on copper cable of 10% and fibre optic cable of 5% - 6% and their removal would cause some discomfort. But the primary protection is provincial restrictions on bidding. In addition, Canadian product specifications are more severe. This is obviously not considered a trade barrier. Since the company does little exporting and does not have an export department, it has little knowledge of foreign trade barriers.

A possible area of interest in the MTN is the question of expanding the GATT Procurement Code to include lower levels of government than the national government under the Code. The Canadian dilemma is, of course, the existence of significant interprovincial barriers in some industries like communications, and the difficulty that may arise if international trade barriers are lowered prior to lowering interprovincial trade barriers.

In the Communications Cable industry, it would be important to remove interprovincial trade barriers first, so that restructuring can take place within Canada before opening up to the international market. On the other hand, considering the elaborate degree of protection of the communications and communications supplies industries around the world, it is hard to imagine these barriers being lowered quickly. However, even without external problems, the provincial and federal governments should decide which industries should be protected because the industry needs to deal with its problems and must consider rationalization procedures. This is especially true in view of the imminent implementation of the Free Trade Agreement.

A meeting with a large telecommunications equipment manufacturer focused on non-tariff barriers as the primary international trade barrier. As

mentioned in regard to electrical equipment, the main type of NTB is the bidding procedures of private or government communication monopolies. In some countries, these procedures are also ridden with graft. For example, payments to enter the bidding process prevent Canadian companies from participating in some countries. Subsidized government financing of foreign projects has also been a problem in the past. In regard to the question of technical standards, European and North American communications equipment standards and specifications are quite different. Accordingly, this company would not bid on jobs that did not require North American standards. While there are significant tariffs on some kinds of equipment, the usual approach to this problem in international markets is to break down component parts to avoid major tariff charges. Tariffs range from 8% to 17% and this includes Canada. These tariffs could be reduced without significant effects on Canadian industry. The primary protection of Canadian industry is through provincial subsidies and monopoly purchasing procedures.

Electronics

A meeting was held with a medium-sized, rapidly growing, high tech electronics company. The company sells to sixty-two countries, everywhere except Africa, and so is familiar with the trials of selling to LDCs. The company, and for that matter, the industry, are not deeply affected by trade barriers, but there are some irritants. Some countries have high tariffs, such as Spain and other countries in the EC. Import procedures are particularly difficult in some Far East countries, specifically Indonesia. Technical specifications and licensing procedures can be administered as NTBs. For example, Spain's product standards are often vaguely specified and, therefore, quite difficult to meet. The company has not yet attempted to penetrate the Japanese market because it believes the costs of overcoming barriers would be very high. With regard to LDCs, there can be various difficulties, such as foreign currency availability and countertrade requirements. Another irritant is the export control list of the United States. Some of the company's products are on this list because they use some U.S. components. This extra-territoriality reach of U.S. law is objectionable.

This company favours zero tariffs and if this requires a trade-off with lower subsidies, then this would be acceptable. Nevertheless, this company found federal and provincial support programs very beneficial during its high growth period. B.C. and Canadian subsidies to infant industries are very beneficial, as a recent B.C. Science Council study has indicated. As long as these types of subsidies are within GATT guidelines, they should be retained.

TRANSPORTATION EQUIPMENT

Brief telephone conversations were held with two manufacturers in this sector. They said they would respond in writing but the responses were not received. It is understood that there are substantial barriers to trade throughout major market areas in Asia and the Middle East. For example, one manufacturer has chosen to assemble its products in Malaysia to overcome steep import tariff barriers. Presumably, these manufacturers would favour a reduction of foreign trade barriers. Further information is required on this sector.

AEROSPACE

A meeting was held with a company that provides a specialty aviation service (forest fire and oil spill control) and related equipment, and a brief written submission was received from a major helicopter aviation company. The third company in this sector did not respond.

The helicopter company had few trade problems. It did mention an irritation with Canadian export permits. The speciality aviation company noted that there are limited barriers to trade on the operating side of aviation. This company made note of the usual difficulties with the "border bureaucracy". The company is aware of substantial barriers in government procurement, both in Canada and abroad. Since it is a very unique company in its field, it does not have a strong opinion on this matter. In regard to the 1992 Europe Project, the company was not sure if this was a problem or an opportunity, as was the case for many participants in the consultations. There is no doubt that major changes will take place in Europe and that these will have a terrific impact on Canadian business. There is no one in Europe producing an effective fire fighting aircraft, and a French government agency has undertaken to promote the Canadian company's products in the EC. However, the Europeans are tough negotiators and it will be interesting to see how this develops. The company generally supports free trade.

CHEMICALS, PLASTICS AND RUBBER

The response of this sector to the consultations was limited. Only 1 of the 11 groups met with officials, and there were 2 written submissions and 2 telephone meetings.

One company, specializing in concrete, chemicals and paints, does 50% of its business in Asia and Australia. India has extremely high tariffs (100%) and in general the company would be pleased if all tariffs were reduced to zero. In regard to non-tariff barriers, requirements to use domestic freight systems

(Indian ships, Mexican trucks) is an irritation. Another company in this sector, which manufactures sodium chlorate, pointed out the trade restrictions imposed by Korea, which permits a monopoly purchasing agency to direct its imports of this product.

The harmonization of standards in the Europe 1992 Project would be particularly beneficial to the concrete, chemical and paint manufacturer since it would reduce the cost of testing and meeting standards.

The plastics producers that responded presently have only a small market outside of North America. However, they do favour free trade and the elimination of tariffs and subsidies. They realize that freer trade can mean larger and longer production runs, more sophisticated tooling, and an expansion of niche markets.

FURNITURE

Brief telephone conversations were held with two manufacturers in this industry sector. Very limited information was provided about international trade barriers. The U.S. has a lower tariff (2%) on furniture than Canada, both of which presumably will disappear with the FTA. One company is concerned about import competition from Taiwan, Thailand, Yugoslavia and Romania, and the other is mainly concerned about competition from Eastern Europe. Since there is a very competitive market in Europe, the main offshore markets for B.C. companies will be in the Pacific Rim. Further information is required on this sector.

APPAREL AND TEXTILES

The only company that responded (out of 9) was a long established B.C. company. Nevertheless, the industry is a dynamic one and has very different interests from the industry in eastern Canada. The industry has a number of important manufacturers of highly styled or sports clothing. There are no textile manufacturers of significance in the province.

This company suggested that Canadian trade policies have mitigated against the apparel manufacturers because of high tariffs on textiles. For example, the Canadian duty on synthetic fabric is 27.5%, while the U.S. duty is 10%, and there is no duty in the third world. High materials costs make it difficult to compete internationally. If tariffs are to be reduced, negotiators must be sure to reduce tariffs on textiles as much or more than on clothing. If there is a sectoral approach to tariff negotiations, then negotiators must be sure that the sector includes the components of products, like textiles with clothing. This manufacturer has another problem with Canadian trade barriers in that it

does not qualify for duty remission because the quota system discriminates against new entrants.

The primary export market for this company is the U.S., and the Free Trade Agreement will be very beneficial. Other markets like Europe and Japan are very different, either in terms of style and colours or in terms of technical specifications, so these are not presently significant markets. There is a general concern, however, about the 1992 Project leading to a "Fortress Europe".

SHIPBUILDING AND REPAIR

Meetings were held with two of the three companies in this sector.

The natural resource product oriented tug and barge business in B.C. is one of the largest in the world. The vessels also operate along the U.S. West Coast and Alaska. Operations were more global during the high oil price period. The industry is a highly knowledgeable and efficient one, although it may have lost its competitive edge in recent years. For example, there has been some loss of business to the U.S. due to lower fuel costs, a smaller crewing allowance in the U.S., and lower safety standards on U.S. vessels.

The Canadian and U.S. industries are protected by rules prohibiting foreign owned vessels from operating in their waters. The U.S. Jones Act also prevents foreign ownership of more than 25% of coastal shipping operations. In this regard, Canada should press for reciprocal ownership requirements. Since Canadian vessel and operating safety standards are much higher than in other countries, if there is a move to reciprocal recognition of standards, it is important to make sure that Canadian operators are not forced to compete with countries applying lower standards. One way to achieve this is to have countries increase their standards to meet Canadian standards.

On the ship building side, most of the domestic tugs and barges are produced locally for several reasons:

1. there is a 25% tariff on vessels not built in Canada;
2. the Canada Vessel Construction Assistance Act provides a tax advantage to companies which purchase Canadian vessels: 33.3% straight line capital cost allowance (only 50% of this in the first year), otherwise the capital cost allowance would be on a 15% declining balance;
3. while Canadian ship construction costs are much higher than those in other countries, such as Japan and especially Korea, the actual costs of the hulls is only a small proportion of the total costs of the vessels, and the cost of transporting the hulls or vessels from overseas is very high.

These tariff and tax measures are considered essential if the domestic ship building industry is to remain protected.

A major ship building and repair company also noted that Canada is not competitive in ship building with Korea, Singapore or Japan. Canada might be more competitive with northern European yards without their subsidies. Canada may be in a position to export some very specific products such as ice strengthened vessels or offshore platforms to the U.S.S.R. Otherwise, differences in labour costs or subsidy levels are too great, and the industry is restricted to serving the domestic market.

Japan also uses important non-tariff barriers to protect its ship repair industry. For example, its coast guard safety regulations prevent access to that repair business and there is no Japanese classification society in Vancouver, although there is one in Seattle. A classification society is required in Vancouver to determine when repairs are needed, and to certify that such repairs are safe and according to Japanese regulations. ***It would be very worthwhile to clearly identify Japanese non-tariff barriers that stand in the way of accessing their ship repair business.*** Occasional repair work has been performed here to the Japanese customer's satisfaction.

This company was very disappointed that the transportation industry was left out of the Free Trade Agreement, and that the U.S. Jones Act was left intact. For several years, the company was very successful in exporting ship repair services to the U.S. Military Sealift Command, but this business was closed down in 1986 by the Nunn-Quayle Regulation. This regulation required that all vessels controlled by the military be repaired in U.S. yards, unless there are military or economic reasons for doing otherwise. The company is also concerned that the cruise ship business will be hurt by possible upcoming exemptions from the Jones Act.

These companies are not directly affected by the implications of the Europe 1992 Project, except to the extent that customers such as the forest industry are influenced.

MARINE AND SUBSEA

The 11 companies in this sector did not respond to the invitation to participate in the consultations.

This lack of response is puzzling. Even if the industry does not face significant tariff barriers, there are many issues that would seem to be relevant to the industry (broad as it is):

- trade-related intellectual property rights,

- improving definitions of subsidies and countervailing measures,
- technical standards as NTBs,
- extension of the GATT government procurement code to sub-national levels of governments, and
- trade-related investment measures.

Particularly in view of the comments of the manufacturing industries regarding the strategic trade-offs between intellectual property protection and the need to have an open-door policy on the purchase of technology, this sector might wish to become more active and involved in policy development and communication.

ADVANCED TECHNOLOGY INDUSTRIES

This sector cuts across traditional industry boundaries. It tends to be related to the service sector in its emphasis on information and research and development, but often the financial payoff comes only with the development of a marketable product. It is included here because at least one interviewed company did not fit into any other classification.

One respondent was a biotechnology company, working in the health care products field. It supports the elimination of international barriers to trade because:

" any intellectual property that has a chance of making a difference cannot be supported by the Canadian market alone, and, therefore, access to world markets is crucial for the successful development of such Canadian products".

The main issues affecting this sector are:

- the protection of intellectual property rights,
- the use of standards, technical specifications, and the related regulatory apparatus as NTBs, and
- the encouragement of linkages between regulatory agencies in different countries.

The protection of intellectual property rights (patents in this case) is critical for this type of industry. For example, it can cost $3-$5 million to research and develop a new cancer drug; it may cost $12-$15 million for clinical trials, toxicology tests, and government approvals in Canada and the U.S. The cost of goods actually used at the production stage is only about 5-10% of the revenue or sales price. Thus, the gross profit must be sufficient to cover development costs and a reasonable return on capital. The crux of the property rights problem is that while a treatment like this that may cost $500-

$2000 per treatment in order to ensure a reasonable return on investment, the "bootleg" cost of production, including profit, may only be $25-$100. The payout period for this type of investment is about 3 to 7 years.

There is an important but rather subtle form of NTB that may reduce international trade in health care products like pharmaceuticals, as well as significantly increase their cost, and the time required for products to come to market. This NTB is connected to the regulatory approval of health care products in different countries. The applications that companies must submit for regulatory approval are different in each jurisdiction. It can be very expensive to provide different clinical data and documentation for individual markets. This proliferation of regulatory requirements has two main effects:

- it greatly increases the cost of health care products to the consumer,
- it greatly delays the appearance of new products coming to market.

The delay in product appearance is especially critical for smaller companies, which are often the most innovative, but which do not have the established cash flow to finance long gestation periods.

The problem has been partly alleviated in some of the major countries because the regulatory agencies have decided to permit the clinical sample of patients to be drawn from specified countries other than the home country. However, some countries like Japan still require that the patient sample (or a significant proportion of it) be selected from among Japanese people.

The company stated that regulatory approvals of health care products are easiest in Europe, and increasingly difficult in Canada, the United States, and Japan. The latter three countries, in varying degrees, all have rules that, indirectly or directly, encourage large domestic companies and discriminate against small companies and foreign companies.

The B.C. branch of a national association in the advanced technology sector was also consulted. Its purpose is to develop western representation within the national organization, and to undertake regional projects. The branch has been active for only four or five months, and consequently, with respect to trade policy issues, the branch will need to confer with its members before providing its views.

SERVICE SECTOR ISSUES

TELECOMMUNICATIONS

In this sector, consultations were held with two major companies, one B.C.-based, and the other a national organization. The positions of these two in regard to both international trade and domestic interprovincial trade are quite different. The provincial company is approaching the subject from the general position of having a monopoly in basic telecommunications services, and of being a preferred supplier of equipment. The national company would like increased market opportunities to open up in these and related fields.

The national company supports freer international trade in telecommunication service and equipment markets, and hopes the definition of services agreed upon in the MTN includes the fullest possible range of telecommunications activities.

In the domestic and international terminal equipment market, this company recommends that tariff barriers (like the U.S. tariff of 5%), and NTBs (which in some countries amount to outright bans on terminal equipment competition) be eliminated.

This company supports full liberalization of the long distance basic service market, although this may be opposed by many countries. It also encourages further opening of the enhanced services market, a field where many nations with closed markets seem prepared to consider competition. If Canada is sincere about reducing international barriers to trade, it will have to look closely at lowering domestic interprovincial trade barriers in equipment and long distance services.

The B.C.-based company provides a wide range of information and telecommunications services, and is adding telecommunications consulting, management, and software development services, with strengths in the networking and communications sectors. It is just starting to focus on the sale of its consulting services internationally, beginning with a few countries like Indonesia, New Zealand, and possibly Mexico. It has not had access problems in the first two, although there are some barriers to trade in Mexico.

On the subject of its sensitivity to import competition, the provincial company noted that the current Canadian ownership policy for telecommunications carriers is wise because most countries wish to protect the sovereignty of telecommunications. Since local services in Canada are still being cross-subsidized by long distance services, more time is needed for rate rebalancing before competition can be opened up in these services.

Many countries, both developed and developing, have not signed the GATT government procurement code. The provincially based company thinks it would be valuable, especially for its export business, if more countries signed on to the code. The company was non-committal on whether it would be a good idea to extend the code to subnational (provincial) governments.

While the provincial company agrees the protection of intellectual property is an important issue, it is not a direct concern because it would be very difficult for anyone to copy or use its complex software.

COMPUTER AND DATA SERVICES

A meeting was held with the B.C. branch of a large Canadian information processing association. Two companies and two other associations did not respond.

The respondent represents the "professional" side of the data processing industry: companies with a data processing department, consulting companies, hardware vendors and original equipment manufacturers, and other large users. It is active in policy matters. Not included in the association are software developers, technology developers, service people and technicians.

In this industry, international trade consists of trade in information and data, computer programs, electromagnetic media, equipment and personnel services. In the course of consultations, trade problems and barriers were discussed in a rather general way, so that more detailed information from members would be useful.

Regarding the equipment side of the industry, Canada is generally an importer. The main problems are with the details and costs of Canadian import procedures, especially for small items.

Sending computer data on magnetic media back and forth across the Canada-U.S. border is very troublesome because of customs procedures, and is generally avoided. The respondent association indicated a willingness to have these type of barriers removed, although there may be implications for the protection of intellectual property rights that were not discussed.

The data processing industry in B.C. comprises mainly services, especially programming and information management consulting and related support services. This is the profitable sector of the industry. There is a critical shortage of trained people in this industry in B.C. and Canada. Thus, there is no concern about import competition, and in fact the opposite is true - the industry would like to bring in more experts from overseas. ***Improvements***

in the international movement of personnel and sale of support services would be very beneficial to the industry.

The protection of intellectual property rights is a very important issue to this industry. A recent Canadian court decision ruled that data does not fall within the legal definition of "property". This has the effect of making it very difficult to enforce rights to, or prove ownership of, data and software. "Theft" of data and the copying of software are rampant. ***Clear definitions of rights and penalties for infringements, as well as a counterfeiting code, are urgently required at an international level. "Bootlegging" is so serious that it is significantly reducing investment in software development.***

The Europe 1992 Project is not generally of interest to the industry in B.C. since the direction of trade is more from Europe, especially the U.K., to Canada. The U.K. would like lower trade barriers into North America, and is not really supportive of a "Fortress Europe".

ENGINEERING CONSULTING

Meetings were held with a provincial consulting engineers association and two of the larger consulting firms. A telephone discussion took place with a turnkey chemical project development firm, and four companies indicated they had neither trade problems nor comments.

The association noted that B.C. engineering consulting firms have expertise that derives primarily from their experience in the natural resource-based industries of British Columbia: hydroelectric power, pulp and paper mills and processes, wood products and processes, mining, water and waste water, and some specialty fields like aquaria, acoustics, water cooling and fish processing. Notably absent are consulting engineers in pure electronics and computers, since there is a great scarcity and the available engineers work in other types of organizations.

The geographic markets of interest are, first, the United States, second, Australia, New Zealand, Europe (all because of market size and sophistication, currency, cultural, and language considerations), and finally, South America and Asia.

Tariffs were generally not perceived as barriers to these companies, although they can be a problem for their clients. Tariffs make project planning more difficult and costly, and reduce construction efficiency from a timing/customs procedures point of view.

Accreditation of Canadian engineers in other jurisdictions is becoming a less significant problem. Within Canada, the only barrier that arises is in Quebec

where it is simply a language barrier. Canada-U.S. discussions on joint licensing have been proceeding for some time. Europe is moving toward common licensing within the EC, and Canadian engineers can become accredited there with some effort. It is not licensing that is really important, but rather, local knowledge, and this is one reason that joint ventures are undertaken. The association emphasized the importance of building "strategic technological alliances" with companies around the world.

Temporary immigration of consultants was mentioned as a significant problem. Very often, visas can be obtained only if it is demonstrated that there are no qualified local engineers available. It is a significant irritant in doing business with the U.S. and, to some degree, Australia. It is not as serious a problem in Europe. In LDCs, local training and content requirements are important components of projects, with content requirements relating to both personnel and materials. Of course, Canada has restrictions as well, but it appears that the larger firms would be happy with reciprocity on this issue, although smaller local firms might have some objections.

The association and the engineering consulting companies described their main concerns with trade barriers as market access issues, and means of payment issues.

B.C.'s consulting engineers would agree to reciprocal reduction of barriers to trade in the form of restrictive government procurement provisions if such changes were objective and transparent.

A common trade barrier, especially upon entry into the U.S., has been difficulties with carrying engineering drawings across the border.

The difficulty of penetrating the Japanese market was noted, although specific details were not provided (the language barrier is a problem, but is not considered to be an NTB). China is another potentially important market but project financing is always a critical consideration.

Local content provisions and relations between the contractor and subcontractors pose problems in LDCs. Engineering consulting companies mentioned difficulties with receiving payments from LDC projects due to withholding taxes and foreign currency regulations, especially in regard to repatriation of profits, although these problems are not specifically NTBs.

Companies did not perceive the Europe 1992 Project to be a problem. Some are involved in (or are planning) "strategic alliances" with European companies, and some have unique skills, so that the opening of internal borders will, in fact, make their operations easier and provide new opportunities.

ARCHITECTURAL SERVICES

One architectural organization in B.C. stated that very few (perhaps four or so) architectural firms export services or do work overseas, although a limited amount of work is done in the U.S.

There are licensing requirements in most jurisdictions for reasons of public welfare, but these are not administered as NTBs. In B.C., and other jurisdictions, there is a method whereby architects licensed elsewhere can work in association with a locally licensed architect. A representative of the organization could not comment on the subject of temporary immigration procedures, other than Hong Kong's, which are not a problem.

Architects are accustomed to domestic governments looking to local architects for services, except perhaps for the occasional very specialized service. Therefore, ***architects feel they would be sensitive to a less discriminatory government procurement code.*** Firms in B.C. range in size from tiny one-person businesses to one firm of 40-50 people, which is small relative to a competitively sized international firm. B.C. firms generally would be concerned about competing with such large firms in the local market.

An additional impediment to exporting Canadian architectural expertise is the high level of subsidization of heavy construction overseas projects by Japan, Korea, and possibly Europe. The most common subsidy is low cost, low risk, government (or government agency) secured financing.

ACCOUNTING

One of the provincial accounting associations circulated to its members a request for input to the consultations, and one large corporate member of the association responded directly to the consultations. Another association did not respond because it felt the time available to organize a response was too short, although they had one and a half months to respond.

The sole corporation that responded felt that the principle of "reciprocity" rather than "national treatment" should guide Canada's negotiators in negotiating lower barriers to trade in services. A specific example was given of the relative openness to the establishment of a service firm in Japan and in B.C.

It suggested that the B.C. International Arbitration Centre could propose, and become a world leader in, developing a dispute resolution mechanism particularly suited for the arbitration of disputes in the service sector.

The company emphasized the importance of lowering barriers to the travel of professionals to work in other countries, and supported the Ministry's position on the graduation of NIEs to full responsibility as a GATT member.

FINANCIAL SERVICES

A meeting was held with one major association in the financial investment sector while another said it did not have time to respond in sufficient depth by the deadlines of the consultations, and four financial institutions did not respond.

The basic position of the responding association is that Canada should bargain for reciprocity, not national treatment as it did in the FTA with the U.S., in negotiating lower trade barriers with other countries in financial services in the MTN. This particular association thinks that there is a lack of understanding that Canadian firms will not have the same access to U.S. financial markets as U.S. firms have to Canada's financial markets under the national treatment principle in the FTA. National treatment is a special problem in regard to Japan's financial services industry which is highly regulated. There is also a concern about the apparent contradiction inherent in the provincial government's push for free trade in financial services, and its interest in subsidizing an International Financial Centre in Vancouver.

LEGAL SERVICES

The law associations did not provide submissions of their views on the MTN.

INSURANCE

Five insurance companies were contacted, but none provided submissions of their views on the MTN.

REAL ESTATE

Two real estate associations responded simply by indicating their support for free trade, and by noting that there is already free trade in this sector between Canada and the U.S.

CULTURE

Of two associations and three companies contacted, one company in the film soundtrack business attended an interview, one company asked to be removed from the Ministry's contact list, and the rest did not respond.

The company that did respond is highly specialized in the postproduction of film soundtracks. The skill of this company, and a few others, is one of the main reasons for the existence of the international film industry in B.C. This company exports its services all over the world, often by doing its specialized work in Vancouver for clients in the U.S. or overseas.

The main international trade irritant to this company is a Canadian barrier, namely, the delays and red tape experienced at the border by senior people in the film industry who enter the country with component parts (tapes) which are to be edited by the company, and then sent back with the person. This can also be a problem going into the U.S. ***It would be extremely helpful if there were a special classification for this type of work, or some other method, to distinguish this type of value added service work, so that these people and this information could move freely.***

The company supports free trade and removal of subsidies which cause more harm than good in cultural industries by excessively promoting second rank talent. The protection of intellectual property rights should not be carried to such extremes that inordinate profits are earned.

TRANSPORTATION AND STORAGE

One of the B.C. port authorities responded to the consultations, but a shipping association did not.

The port authority noted a U.S. proposal to eliminate all forms of grain export subsidies by the year 2000. If Canada were to support such a proposal, all grain exports through B.C. ports would be severely affected, as they depend heavily on such subsidies to deliver grain to tidewater. Canada's proposal, under the Cairns Group, to reduce such subsidies by 10% in each of the next 2 years, would appear to be a sound proposal.

The port authority is generally concerned about the possibility of the Europe 1992 Project developing into a "Fortress Europe". They also mentioned their concern about the implications of the MTN for the fishing industry (a major client).

A national association of customs brokers participated in a useful meeting, but a further five associations and companies did not respond.

Customs brokers work mainly as agents of importers (not as often for exporters) in their dealings with Canada Customs. Many brokers also deal in freight forwarding and related transport services like shipment consolidations (putting together large shipments from small) and warehousing.

Canada has a significant number of tariff and non-tariff barriers. On January 1, 1988, Canada introduced a new harmonized tariff system, and the U.S. will be introducing it on January 1, 1989. The MTN will essentially have no effect on this industry. However, if there is a change in the method of domestic Canadian taxation (as proposed in the Federal Sales Tax Reform), it could have a major effect on this industry. Generally, the association favours free trade and open competition.

CONCLUSIONS

The Consultation Process

1. ***The first conclusion to be drawn from these private sector consultations is that the level of response to the Minister's invitation to participate in the consultations was very low,*** especially in view of the much higher response last year to the FTA private sector consultations. A great deal of effort was put into contacting all of the 216 groups on the list, so this low response rate cannot be attributed to the lack of awareness of the consultations by these groups. Possible explanations for this low response rate may be:

- a lack of public information about the MTN, and thus limited understanding of its implications;

- a lack of awareness of the issues in the MTN, and distraction by other trade issues as noted in conclusion 2 below;

- a lower degree of contact with trading nations other than the U.S., and thus less familiarity with multilateral trade issues. This low degree of contact is particularly perplexing since more than 50% of British Columbia's exports are with trading nations other than the U.S. However, this contradiction may be explained by the fact that a small number of very large resource companies account for the bulk of the non-U.S. exports, while many B.C. manufacturers export primarily to the U.S. market.

2. ***The second conclusion to be drawn concerns the lack of information or knowledge displayed by those in the private sector who did participate in the consultations.*** With the exception of a few major associations and companies with large scale trading interests, most respondents were not well informed and have not been planning ahead for the MTN. Many companies who might be expected to be well informed were preoccupied with other issues such as the FTA, and current GATT panel cases. The large number of uninformed groups was surprising, especially compared to the awareness shown by participants in last year's FTA consultations. There also seemed to be a large number of participants who were not very clear about what constituted a trade barrier, or about the possible implications of the MTN for business activities.

3. In the light of these comments, it is worth noting that the selection of groups to participate in the private sector consultations was heavily weighted by those enterprises expected to be knowledgeable about international trade and trade policy. The selection process was focused on industry sectors and associations which have trading interests in overseas markets as well as in the U.S. The selection process covered both large and medium sized organizations and gave special emphasis to the high growth sectors of the B.C. economy.

These results suggest in the strongest possible terms:

- ***the need for on-going communication with the private sector about the details of the trade barriers that they face, and***

- ***the need for public information about the progress and significance of trade negotiations like the MTN.***

Markets

4. ***The international markets of interest to those B.C. exporters and importers who did participate in the consultations were clearly: the U.S. (above all others), Pacific Rim countries (Japan, Australia, New Zealand, Korea, Hong Kong, and China), the United Kingdom and Europe, and, finally, South East Asia and Latin America.*** There was limited interest in markets of India, Africa, and Eastern Europe. Because these judgements relate only to those groups who did respond to the consultations, they should not be construed as an opinion survey of the export interests of the B.C. business community at large.

Tariff Barriers

5. There were a few B.C. industries which indicated that they would be sensitive to the lowering or removal of domestic tariff protection, but in many cases these industries are also protected by non-tariff barriers.

With the exceptions of the sectors noted below, many respondents felt that they are either already internationally competitive, or they will soon be competitive as they make the adjustments necessary to compete in the U.S. market in response to the FTA.

The Shipbuilding and Ship Repair industry would find it difficult to function without the 25% tariff which is its main source of protection. The Soft Fruit industry would like to retain the advantages of protection by a seasonal tariff. The Plywood industry would be willing to negotiate a reduction in the current 15% tariff to a 10% tariff, in exchange for improved export market access. Producers of some higher value-added Wood Products are protected by a 8%-10% tariff, but since it will disappear with the FTA, only minor changes would be necessary to adjust to freer trade with the rest of the world. The Mining industry favours free trade, but for specific historical and pricing reasons would like to see the Japanese tariff on refined copper retained. The Communications Cable producers would be uncomfortable if the 10% tariff on copper cable and the 5% - 6% tariff on fibre optic cable were removed.

The specialized B.C. Apparel industry could live without tariff protection, if the very high tariffs (27.5%) on textiles were removed (there are no significant textile manufacturers in B.C.). The Machinery and Equipment Manufacturing industry would agree to the current 9.2% tariff dropping to 0%, if tariff barriers were removed in other industries, particularly in the Metal Fabricating industry.

6. A number of industries would benefit from improved market access if tariff barriers in other countries were lowered or removed. De-escalation, or flattening, of tariff structures would benefit those B.C. industries which see growth opportunities in the higher value-added sectors. Tariff escalation is a prominent feature of many countries' tariff structures. The following industries would like to see tariffs removed:

Industry	Tariff To Be Removed
Mining	• Korean tariff on molybdenum oxide • Canadian, U.S. and European tariffs on molybdenum grease • U.S. and Japanese tariffs on molybdenum catalysts

Lumber & Products	• various tariffs - U.K, Europe, Japan, Australia, Korea, China, India
Fishing	• European 25% tariff on smoked salmon
Chemicals	• tariffs levied by India on concrete chemicals and paints
Telecommunications	• one national company supports removal of tariffs on computer terminal equipment, particularly U.S. tariffs

7. Many B.C. industries which compete with products produced by the newly industrialized economies (NIEs) feel that the preferentially low tariff rates accorded to developing countries should be retracted for the highly successful NIEs. They believe it is time for NIEs like Korea, Hong Kong and Singapore to assume their full share of GATT obligations in proportion to their export success.

Non-Tariff Barriers

In many industries, non-tariff barriers are of greater concern than tariff barriers. The primary issues in this regard are market access, resource market access, standards, temporary immigration visas, and protection of intellectual property. Issues which did not draw much attention were reform of the GATT system, dispute settlement procedures, countervailing measures, and trade related investment measures. Responses by the private sector on these issues basically depend on whether the industry is sensitive to imports, or whether it is internationally competitive and looking outward at access problems in other markets.

Direct restrictions on market access include import or export quotas, and voluntary restraints on exports. Restrictions on the right of establishment, and on the nature of operations fit into this topic, but are also called trade related investment measures (TRIMs).

8. Some Agricultural Commodity Producers that indicated their sensitivity to import competition were Cattle Farmers, supply managed commodity producers - Dairy Farmers, Egg Producers, and Chicken Farmers. The Apple Producers are preparing a plan for supply management, and import controls would presumably be a component of this plan. The Alcoholic Beverages sector, especially Wineries and Breweries, would like continued protection from imports, although there will be significant changes in this sector. There is pressure on the Breweries and provincial governments to rationalize

interprovincial trade barriers in this sector before opening up further to international competition.

9. ***B.C. industries would benefit from the removal of the following foreign import controls:***

- the EC's tariff rate quota on plywood,
- the U.S. Nunn-Quayle Act restrictions on ship repairs by foreign companies on U.S. military vessels,
- restrictions by countries like India requiring the shipment of imports or exports in Indian vessels,
- the concern expressed by B.C. Apple Producers about import quotas imposed in 1988 by the EC.

10. Canada and B.C. have export controls on raw logs, on sockeye and chum salmon, herring, and bivalve shellfish. There are significant differences of opinion among interest groups within the Forestry and Fishing industries about the value of the export controls, although the groups who feel the controls should be retained are dominant. ***Consequently, the Forestry and Fishing industries reject any attempt to negotiate a link between improved foreign access to Canadian natural resources and improved Canadian access to foreign markets.***

There are also export controls on bulk shipments of water. Groups with interests in the Bulk Water industry did not respond to the consultations and, therefore, their position is unknown.

Other industries, notably Mining, do not object to the proposal to negotiate concessions in resource access in order to obtain concessions in foreign market access.

11. The subject of subsidies and countervailing measures is very broad and complex. Some sectors, like the Forest industry, who commented on these issues, would like to see greater international discipline on the use of subsidies, and countervailing measures. Many industries do not clearly distinguish between subsidies that are consistent with GATT and those which are not.

Companies which bid on large international projects, such as Consulting Engineering companies and Telecommunication companies,***would either like measures adopted in the MTN that would enforce greater discipline on the use of subsidized financing by countries like Japan, or would like to see similar financing provided by Canadian governments.***

Some small and medium sized companies who participated in the consultations commented on the value of the subsidies they have received for export market development and for product research and development. ***Small and medium sized companies would be disappointed to see the disappearance of subsidies for R&D and for export market development.***

12. Canada is among the few (20 or so) countries to have signed the GATT code on government procurement practices. A number of industries, such as Engineering Consulting, Data Processing and Computer Software, and Telecommunications, would benefit from improved opportunities to bid on foreign government projects and contracts. The Engineering Consulting and Data Processing and Computer Software industries would not be sensitive to the extension of the code to sub-national governments, but would want any changes in government procurement procedures to be reciprocal. The Telecommunications industry has some components, especially voice services, which are likely to require protection for some time. However, many other countries protect this sector. B.C. Architects would be uncomfortable with significantly more open procedures for government procurement. While few companies in the Marine and Subsea and Advanced Technology Products industries responded to the consultation exercise, they would presumably approve of a reciprocal extension of the procurement code.

13. Several major industries emphasized that the specification or administration of standards (i.e., quality, technical, health, sanitary) has created restrictions on access to some important export markets.

Examples of such NTBs are :

- Japan's building code restrictions on the use of lumber in multiple family dwellings,
- the U.K.'s specification of tolerances for rough green softwood lumber,
- Australia and New Zealand's phytosanitary (plant sanitary) standards for certain agricultural products,
- European packaging and health standards in the Food industry.

The Aquaculture industry feels very vulnerable to the imposition of standards for antibiotics or any procedure which requires inspection. The concern is that these standards or procedures could easily be implemented as non-tariff barriers (NTBs).

The provincial government should make an on-going effort to encourage the private sector to provide specific examples and details of standards used as NTBs, so that this data can be used effectively by trade negotiators.

14. The Agriculture and Food Processing industries and a Biotechnology company commented on other aspects of the standards issue:

- the use of certain chemicals or pesticides in the production of imported products which have not been approved for use on products produced in Canada,

- the slowness of the Canadian testing and approval process for new chemicals, pesticides, fertilizers, and drugs,

- the reluctance of Canadian authorities to use test results and approvals conducted elsewhere (especially in the U.S.) in order to speed up the Canadian approval process and reduce the costs to Canadian producers, a matter of particular concern to smaller Canadian industries which cannot afford the same level of costs as their U.S. competitors.

Many of these problems are not really negotiable trade barriers. Rather they are domestic Canadian policies that have important implications for the costs of domestic businesses in Canada relative to the costs of their international competitors. They can only be addressed by Canadian governments.

However, B.C. and Canada can evaluate Canadian standards that may act to reduce Canadian competitiveness and should decide whether or not adjustments can be made in these standards in order to improve the ability of Canadian businesses to adapt to externally induced changes.

15. The position of groups in regard to the issue of protecting trade related intellectual property rights (TRIPs) depended, in part, on whether or not they were net users or producers of intellectual property.

Producers of intellectual property include companies in the Advanced Technology Sector, Marine and Subsea industry, Data Processing and Computer Software industry, Telecommunications and Electronics industries, and some Machinery and Equipment and Aerospace companies. Producers in the first three (advanced technology) sectors emphasized the need for strong international protection of intellectual property rights.

For the Advanced Technology, Marine and Subsea, and Data Processing and Computer Software industries :

A clear definition of rights and penalties for infringements as well as a counterfeiting code are urgently required at an international level.

"Bootlegging" is so serious that it is significantly reducing investment in software development.

Producers in the Telecommunications, and Machinery and Equipment industries thought that factors other than intellectual property rights were much more important in protecting their investments in technology, or preserving their competitiveness.

In Telecommunications, it is the scale and complication of software and other technology that makes theft difficult. In Machinery and Equipment, and other industries, it is the constant effort put into research that keeps companies ahead of their competitors. In this case it is most important to ensure open market access for their products so they can maintain the cash flow to keep up their research.

Because B.C. and Canada are such large importers and such small producers of technology, it was suggested that it may be preferable for B.C. to encourage an open system for importing technology.

16. In regard to establishment and investment measures,***an important association in the financial investment sector recommended that Canada should bargain for reciprocity, not national treatment in negotiating lower trade barriers with other countries in financial services in the MTN.*** Canadian firms will not have the same access to U.S. financial markets as U.S. firms have to Canada's financial markets under the national treatment principle in the FTA. National treatment is a special problem in regard to Japan's financial services industry which is highly regulated.

17. Issues concerned with countervail measures and dispute settlement procedures arose mainly in a Canada-U.S. context. The cases in the Forest Products industry are well known and do not require comment here. The B.C. Metal Fabricating industry expressed concern with the constant pressure brought to bear by domestic steel companies on the federal government to consider dumping complaints against foreign suppliers. It is easy for the large Canadian steel companies to disrupt steel supplies to small B.C. wholesalers. More recently, Ottawa has put in place a system of import and export licensing rules. This permit system is so far "for information only". However, ***wholesalers are concerned that the bureaucracy has now been established to control steel imports.***

18. With respect to th[illegible]e of barriers to temporary immigration, the majority of complaints focused on unpleasant experiences of service personnel and consultants and other professionals crossing the Canada-U.S. border. There were also some complaints about difficulties with Australia. It was not clear whether the lack of complaints about countries other than the U.S. reflects a smaller experience base, or whether it implies genuinely freer

access for service sector exporters overseas. The experiences of these people may have occurred because the complainant was carrying product parts or various business materials that were subject to duty or regulation. Many people may avoid such problems by simply not being truthful about the true purpose of their visit. ***This suggests some serious inconsistencies with customs and immigration procedures that could be addressed by the MTN.*** The other complaints of this nature were related to the practices of many developing countries which require the hiring and training of nationals as a precondition of implementing a project or investment in the country.

19. It appears from the consultations that, with a few exceptions, most British Columbia industries have not given attention to the implications of the Europe 1992 Project for their markets. The Forest industry is well informed about the Project, and has been carefully observing the EC's process of developing common national standards and codes, particularly at the technical committee level. ***Preparations for the harmonization of EC standards and codes in 1992 are now well underway, and it is important for affected B.C. industries, such as Forestry, and Fishing and Aquaculture, to be involved as early as possible in gathering information and preparing to influence or react to important decisions long before 1992.***

In the Aerospace industry, an exporter of specialized firefighting services and equipment, perceived the harmonization and integration of markets as an opportunity for market development, as much as a cause for concern about moves to restrict market access. Some companies saw the integration of markets as an opportunity, primarily because they often conduct their business in foreign countries in association with domestic firms. However, there was a vague, general concern expressed by many participants that in the process of creating a Europe free from internal barriers, there would also be the occasion to raise further barriers to external trade, thus creating a "Fortress Europe". However, little specific evidence was presented to support this fear.

The provincial government should, therefore, assist B.C. industries, which do not already have a substantial information programme, to be more informed about the Europe 1992 Project and its implications for the B.C. economy.

GLOSSARY

GLOSSARY OF REFERENCE TERMS

FOR THE URUGUAY ROUND OF THE MTN

ACRONYMS

EC	European Community or European Economic Community
EFTA	European Free Trade Association
FTA	Canada-U.S. Free Trade Agreement, or a Free Trade Area
GATT	General Agreement on Tariffs and Trade
GNG	Group of Negotiations on Goods
GNS	Group of Negotiations on Services
ITAC	International Trade Advisory Committee (Federal Government)
SAGIT	Sectoral Advisory Groups on International Trade (Federal)
LDC	Less Developed Country
MTN	Multilateral Trade Negotiations
NIC	Newly Industrialized Country
NIE	Newly Industrialized Economy
OECD	Organization for Economic Cooperation and Development
PSE	Producer Subsidy Equivalent Approach
R & D	Research and Development
SPF	Spruce, Pine, Fir
TDE	Trade Distorting Equivalent Approach
TRIMs	Trade-Related Investment Measures
TRIPs	Trade-Related Intellectual Property
VAT	Value Added Tax
VER	Voluntary Export Restraint
VRA	Voluntary Restraint Agreement

GLOSSARY

Accession: This refers, in general, to the process of a country joining the GATT. During accession to the GATT, a country accords tariff and other concessions that are its "price of admission" to the GATT. Although accession to the GATT binds a country to the General Agreement itself, it does not automatically mean that the acceding country is bound by the Tokyo Round's Codes of Conduct. GATT members must join these codes separately.

AD Valorem Tariff: A tariff assessed as a percentage of the value of the goods cleared through customs. For example, 10 percent AD Valorem means the tariff is 10 percent of the value of the goods.

Binding: GATT Article II provides that signatories may "bind" tariff rates by including them in schedules appended to the GATT. Once a duty is bound, it may not be raised beyond that bound level without compensating affected parties.

Commercial Counterfeiting: This practice involves the manufacture or sale of goods which defraud the purchaser by falsely implying that the products are produced by a reputable manufacturer.

Common Agricultural Policy (CAP): A comprehensive system of production targets and marketing mechanisms designed to manage agricultural trade within the European Community and with the rest of the world.

Compensation: A GATT principle which holds that if any member country raises a tariff above its bound rate, withdraws a binding, or otherwise violates a trade concession with GATT justification, the party must lower other tariffs or make other concessions to offset the disadvantage suffered by trading partners or face offsetting actions ("retaliation") by affected parties.

Concession: A tariff reduction, tariff binding or other agreement to reduce import restrictions; usually accorded pursuant to negotiation in return for concessions by other parties.

Counterfeit Code: A draft agreement addressing commercial counterfeit (e.g., trademarks) problems in international trade. Initiated during the Tokyo Round, this code was never concluded. The issue of counterfeiting, as well as other intellectual property issues, is now under discussion in the Uruguay Round negotiating group on Intellectual Property Rights.

Countertrade: A general trade term whereby a seller is required to accept goods or services from the buyer as either full or partial payment. This is a well known phenomenon in East-West trade, but is increasingly being practised worldwide.

Countervailing Duties: These are duties levied on an imported good to offset subsidies to producers or exporters of that good in the exporting country. GATT Article VI permits the use of such duties if material injury to the importing country's producers occurs.

Customs Harmonization: This is an international effort to increase the uniformity of customs practices such as valuation, nomenclature and enforcement among countries. The Customs Cooperation Council has been working on an internationally accepted harmonized commodity system since 1970.

Dispute Settlement: This refers to the resolution of opposing aims often facilitated through the efforts of an intermediary. In the GATT context, dispute settlement provides opportunities for individual contracting parties to resolve trade problems through negotiated means or with the help of a GATT panel of experts which rules on GATT legal practices and recommends solutions.

Dumping: Dumping is generally seen as an unfair trading practice. It occurs when a good is sold for less than its "fair value", generally meaning it is exported for less than it is sold in the domestic market or third country markets or it is sold for less than production cost. Article VI of the GATT permits the imposition of special anti-dumping duties against dumped goods, equal to the difference between their export price and their "fair value" in the export market, if dumping causes injury in the importing country.

Escape Clause: A provision within the GATT (Article XIX) that allows a country to suspend tariff or other concessions when certain imports injure or threaten to injure domestic producers of competitive good or services.

European Community (EC): Coming into operation in 1958 and based on the Treaty of Rom, the EC originally consisted of the following countries who joined together to establish a customs union and other forms of economic integration: France, Italy, the Federal Republic of Germany, Belgium, the Netherlands, and Luxembourg. The United Kingdom, Denmark, and Ireland joined in 1973. Greece joined in 1981, followed by Portugal and Spain in 1986.

European Free Trade Association (EFTA): Formed in 1960, the regional grouping which includes Austria, Iceland, Norway, Sweden, Switzerland, and Finland (an associate member). Member countries have eliminated tariffs on manufactured goods and agricultural products that originate in and are traded among member countries.

Export Quotas: Specific restraints imposed by an exporting country on the value or quantity of a good for export purposes.

Export Subsidies: Any form of government payment or benefit to an exporter or manufacturing concern contingent upon the export of goods. Under the GATT (Article XVI), subsidies, especially export subsidies, are seen as a tool that distorts the normal behaviour of the market. The Tokyo Round produced an agreement on subsidies and countervailing duties that prohibits export subsidies by developed countries on manufactured and semi-manufactured goods.

Free Trade Area (FTA): A group of two or more countries that have eliminated tariff barriers among themselves while not applying a uniform external tariff on imports from non-participating countries. The European Free Trade Association is the best known example of such an arrangement.

Functioning of the GATT System (FOGS): A Uruguay Round Negotiating group whose function is to strengthen the GATT process itself, with its major stated goals being to improve GATT surveillance of trade policies and practices, the encourage greater involvement of trade ministers in the GATT, and to strengthen the GATT's relationship with other international organizations such as the IMF.

GATT Panel: A panel of neutral representatives may be established by the GATT Secretariat under the dispute settlement provisions of the GATT to review the facts of dispute and render findings of GATT law and recommend action.

GATT Rounds: These are cycles of multilateral trade negotiations conducted under the auspices of GATT. Seven such rounds have been completed since the GATT was established in 1947. The eighth is currently under way.

1947: Geneva, Switzerland (lst Round)
1949: Annecy, France (2nd Round)
1951: Torquay, England (3rd Round)
1956: Geneva, Switzerland (4th Round)
1960-1962: Geneva, Switzerland (The "Dillon Round")
1964-1967: Geneva, Switzerland (The "Kennedy Round")

1973-1979: Geneva, Switzerland (The "Tokyo Round")
1986: Geneva, Switzerland (The "Uruguay Round")

General Agreement on Tariffs and Trade (GATT): Signed in 1947 as an interim agreement, the GATT is now a formal multilateral agreement aimed at expanding and liberalizing world trade. The rules of the GATT provide specific discipline over the use of trade barriers and help reduce confusion and uncertainty in the international trade arena. The GATT also provides a forum in which countries can resolve trade disputes and negotiate progressive liberalization of tariff and non-tariff trade barriers.

Generalized System of Preferences (GSP): A system of tariff preferences designed to encourage the expansion of manufactured and semi-manufactured exports from developing countries. The concept was developed with UNCTAD V and exists with the tariff structures of numerous developed countries.

Government Procurement Code: Formally known as the "Agreement on Government Procurement", this MTN agreement provides that signatories will not discriminate against or among the products of other signatories in purchases covered by the code. The Agreement's coverage extends to purchases of goods by specified government entities (e.g., ministries and departments) listed in the Agreement, for all contracts valued at 150,000 Special Drawing Rights (SDRs) (as of January 1, 1987, approximately U.S. $170,000).

Graduation: Some developing countries eventually (through rising living standards, increased production, export earnings, etc.) reach a point of greater economic competitiveness and independence. As developing countries increase their economic independence, they are removed from the list of Generalized System of Preference countries. Requiring that the "graduated" countries undertake the obligations of developed countries allows these developing countries to be more fully integrated into the trading system.

Intellectual Property Rights: This is the ownership of the right to possess or otherwise use or dispose of products created by human ingenuity. Trademarks, patents and copyrights are examples of this. There are international organizations which deal solely with intellectual property, and increased protection of intellectual property rights is an issue of discussion in the Uruguay Round of GATT talks.

Market Access: The ability of a domestic industry to penetrate a related market in a foreign country. The extent to which the foreign market is

accessible generally depends upon the existence and extent of trade barriers.

Most Favoured Nation Treatment (MFN): When one country accords another most-favoured nation status, it agrees to extend that country the same trade concessions it grants to any other MFN recipients. This concept may apply to non-tariff measures as well. GATT members have agreed to accord each other MFN status. Preferential treatment accorded to developing countries, customs unions, and free trade areas all represent allowable exceptions to the MFN concept.

Natural Resource-based Products: This is one of the 14 negotiating groups on goods in the Uruguay Round. Traditionally, these include forestry products, fishery products, and nonferrous metals and minerals. Delegations to the GATT have emphasized the need for improving market access for these products.

Negotiating Group: Within the Uruguay Round, a negotiating group is a forum in which contracting parties plan and manage the multilateral negotiations dealing with a particular issue. In the Uruguay Round, there are two major groups, the **Group of Negotiations on Goods (GNG)** and the the **Group on Negotiations of Services (GNS)**. Within the GNG, there are 14 issue-oriented subgroups.

Newly Industrializing Countries (NICs): A group of developing countries which have reached a relatively advanced stage of economic growth and have experienced growth and have experienced high growth rates in recent years. Some of the NICs are Brazil, Hong Kong, Korea, Mexico, Singapore, and Taiwan.

Non-Tariff Barriers (NTBs): These are measures other than tariffs imposed by governments which restrict imports with or without the intent to do so. Such barriers have become more prevalent since the end of World War II. Since that time, tariff rates have declined significantly while other forms of protection, such as licensing and quotas, have risen.

Non-Tariff Measures (NTMs): These differ from NTBs only in that they are actions by governments that may eventually have restrictive implications on good traded in the world market. Though it cannot always be proven as such, an NTM is perceived as having a restrictive effect. NTMs are also a topic of one of the 14 GNG negotiating groups in the Uruguay Round.

Producer Subsidy Equivalent Approach: The Producer Subsidy Equivalent approach is a method to quantify agricultural support which attempts

to place a value on every conceivable type of assistance provided to producers.

Punta Del Este Declaration: A declaration written by the Contracting Parties in September, 1986, to launch a new round of multilateral trade negotiations called the "Uruguay Round". The declaration included a statement of objectives and an agenda for the negotiations to follow.

Quantitative Restrictions: These are specific limits on the quantity or value of goods that can be imported or exported during a specific time period. GATT article XI generally prohibits the use of quantitative restrictions except under specified exceptional conditions.

Reciprocity: The principle governing GATT negotiations under which governments extend comparable concessions to each other. In past round, developing countries have not been obliged to offer fully reciprocal concessions.

Request/Offer: A negotiating approach whereby requests are submitted by a country to a trading partner identifying the concessions it seeks through negotiations. Compensating offers are similarly tabled and negotiated by delegates of the countries involved. This represents an alternative to the formula-cut tariff approach which has been used in the past two rounds of multilateral trade negotiations.

Retaliation: Actions by a country, often the restriction of imports, taken in response to another country's imposition of a distortive or restrictive measure that adversely affects the commerce of the first country.

Rules of Origin: Those laws, regulations, and administrative practices that are applied to ascribe a country of origin to goods in international trade. Origin rules include those applicable for purposes of obtaining most-favoured-nation (MFN) tariff treatment and benefits of preferential tariff programs, as well as the statistical reporting, administering quotas and markings.

Safeguards: These are temporary measures implemented in order to protect an industry while it adjusts to increased competition by foreign suppliers. Safeguards can take the form of tariffs or quantitative restrictions. GATT Article XIX allows their use in prescribed circumstances.

Sanitary and Phytosanitary Regulations: These are government standards imposed to protect human, animal and plant life and health. These may apply to animals and plants and their products to help ensure that

they are safe for consumption and not damaging to the environment (Phytosanitary regulations apply only to plants and plant products).

Standards Code: Formally known as the "Agreement on Technical Barriers to Trade", this MTN agreement's purpose is to eliminate, where possible, government use of product standards, testing and certification procedures as impediments to trade. The Code does not attempt to formulate standards or to set up specific testing and certification systems, since these activities fall within the scope of other institutions and organizations.

Standstill: Under the Uruguay Round standstill commitment, all participants agreed: (1) not to take any trade restrictive or distorting measures inconsistent with the GATT; (2) not to take any trade restrictive or distorting measure in the legitimate exercise of GATT rights (e.g., safeguard actions) that goes beyond that which is necessary to remedy specific situations; and (3) not to take any trade measures in such a manner as to improve their negotiating positions. This commitment only applies to measures taken after the issuance of the Ministerial Declaration on September 20, 1986.

Subsidies Code: Formally known as the "Agreement on Interpretation and Application of Articles VI, XVI, and XIII of the General Agreement on Tariffs and Trade", this MTN agreement amplifies and improves upon the GATT rules on subsidies and countervailing duties. Its major aim is to control the impact of subsidies on trade flows in international commerce. The Code prohibits signatories from using export subsidies to prevent adverse effects on the trading interests of other countries.

Subsidy: There are two general types of subsidies: export and domestic. An export subsidy is a benefit conferred on a firm by the government such that the benefit is contingent on exports. A domestic subsidy is a benefit, not linked to exports, conferred by the government upon a specific industry or enterprise or group of industries or enterprises.

Tariff Escalation: This term refers to the common situation whereby tariffs are generally levied on raw materials and less processed goods at lower rates than more processed versions of the same or derivative good. For instance, the import duty in most countries is generally higher for petrochemicals than for the petroleum and other raw materials necessary for their production.

Tariff Quota: A tariff that remains at the same level until a certain quantitative limit (quota) is reached. The duty on imports in excess of that level will be higher.

Technical Barrier to Trade: A specification which sets forth characteristics a product must meet (such as levels of quality, performance, safety or dimensions) in order to be imported.

Trade Distorting Equivalent Approach: The Trade Distorting Equivalent approach is a method to quantify agricultural support proposed by Canada which would attempt to determine which types of policies are trade distorting, and would then put a value only on them.

Trade-Related Investment Measures (TRIMs): The subject of a Uruguay Round negotiating group. The group's function is to examine the adequacy of current GATT rules with respect to investment measures which restrict or distort trade, and if necessary, to negotiate additional rules to cover their adverse trade effects. The United States has identified ten types of investment measures for initial examination in the negotiations, including local content and export performance requirements.

Transparency: This is the extent to which agreements and practices are open, clear, measurable, and verifiable.

Tropical Products: This is one of the negotiating subgroups under the Group of Negotiations on Goods (GNG). This trade issue area generally refers to agricultural and other exports indigenous to tropical climates. This issue area is particularly important to the less developed countries as the negotiations are aimed at increasing market access for these products, which generally originate in the Less Developed Countries.

Value Added Tax (VAT): A tax which is assessed at each stage of production on the amount of value contributed at each stage to the final product.

Voluntary Export Restraint (VER): See Voluntary Restraint Agreements.

Voluntary Restraint Agreements (VRAs): Generally, a bilateral arrangement whereby an exporting country agrees to reduce or restrict exports without the importing country having to make use of quotas, tariffs, or other import controls. These agreements are generally undertaken to avoid action by the importing country against imports that may injure or in some way threaten the positions of domestic firms in the industry in question. This is another example of "grey area" measures which are to be examined in the Uruguay Round.

APPENDIX 1

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THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS:

A BRITISH COLUMBIA PERSPECTIVE

Background:

On September 20, 1986, representatives from over 90 countries met in Punta del Este, Uruguay, and agreed to launch a new round of Multilateral Trade Negotiations (MTN). The primary objectives of the "Uruguay Round" are:

- to halt and reverse the spread of protectionism;
- to develop a more open, viable and durable multilateral trading system;
- to reduce tariff and non-tariff barriers to trade;
- to strengthen the role of the General Agreement on Tariffs and Trade (GATT);
- to improve the linkages between international trade, finance and development organizations; and
- to increase the flow of resources to the developing countries.

The Uruguay Round negotiations are scheduled to conclude in late 1990. A Ministerial Mid-Term Review (MTR) of progress will be held in Montreal during the week of December 5, 1988.

Several new issues, such as agriculture, intellectual property rights, services and trade-related investment measures, have been included in the MTN for the first time.

Importance of the MTN to British Columbia:

Because more than 50 percent of British Columbia's total exports are destined for markets other than the United States, the Uruguay Round of MTN represents a unique opportunity for the province to address a wide range of market access issues with its overseas trading partners. The importance of unimpeded export market access cannot be overestimated in a trading

economy like British Columbia's. Fully 26 percent of the province's gross domestic product (GDP) is accounted for by exports. In addition, at least 1 British Columbia job in 7 is dependent upon international trade.

Traditionally, British Columbia and Canada have relied upon the various rounds of Multilateral Trade Negotiations conducted under the auspices of the General Agreement on Tariffs and Trade (GATT) to secure our access to foreign export markets. Following the Tokyo Round of MTN, for example, world industrial tariffs fell by approximately 33%, from 7.0%, to 4.7%. Over approximately the same period of time, nominal British Columbia exports increased from $5.3 billion to $15.7 billion in 1987. Nor is there any doubt that this expansion of international trade has had a stimulative impact upon the provincial economy. Over the same period of time, for example, provincial GDP rose from $32.9 billion to $60.8 billion.

In recent years, however, this export-led prosperity has been threatened by a growing protectionist trend in the international trading environment. Responding to this threat the government of Canada (with the full support of the Province of British Columbia) embarked upon a two-pronged defence: one, a closer bilateral trade relationship with the United States and, two, a strong commitment to multilateral trade liberalization through the Uruguay Round of negotiations. Both of these initiatives are an integral part of British Columbia's international trade strategy. In fact, it could be argued that the success of this latter initiative is at least as important to the long-term economic prosperity of the province as the recently concluded Canada-U.S. Free Trade Agreement (FTA).

British Columbia's Objectives in the MTN:

British Columbia's participation in the Uruguay Round of MTN will be guided along the same broad lines that governed the province's participation in the recently concluded Canada-U.S. free trade negotiations. These principles are:

- that the negotiations be as comprehensive as possible;
- that the agreements concluded be transparent, rule-based, and enforceable; and
- that the jurisdictional and policy independence of sub-national governments (i.e., provinces) be preserved in such areas as social, cultural, environmental, regional, and resource management and development.

Specific British Columbia negotiating objectives include:

- participation as a full partner with the federal government and other Canadian provinces in the formulation of Canada's official negotiating mandate and objectives.

- achieving the deepest possible tariff cuts attainable (including the elimination of tariff escalation) while minimizing the negative impacts of such a strategy on British Columbia's own domestic producers.

- enhanced and improved foreign market access for British Columbia exporters by removing as many foreign non-tariff barriers as possible, while maintaining provincial flexibility with respect to domestic agricultural and resource management tools.

- increased transparency and objectivity in the application of GATT rules and disciplines and agreement on an effective dispute settlement enforcement mechanism.

- expansion of GATT coverage to comprehensively include such new areas as agriculture, services, and investment.

- ensuring that newly industrializing economies (NIEs) like Korea, Singapore, Hong Kong, and Brazil assume a share of GATT obligations and responsibilities commensurate with their export success and economic development.

- ensuring that British Columbia's Pacific Rim trade relations are not jeopardized by the federal government's preoccupation with central Canadian industrial interests (i.e., Canada's long-standing tariff and quota protection of Quebec's textile and clothing industry operates to the detriment of the developing countries of the Pacific Rim).

- an increase in the value-added component of British Columbia's exports (i.e., by reducing the incidence of tariff escalation and by liberalizing investment barriers).

Negotiating Issues of Concern to British Columbia:

The following negotiating issues have been identified as being of primary concern to British Columbia in the Uruguay Round of MTN:

1. **Tariffs:** the aim of the negotiations is to reduce or eliminate tariffs and thereby address the problem of "tariff escalation", whereby import tariffs rise in accordance with the level of processing and value-added inherent in the product. To date, discussions have been focussed primarily on the possible

approaches to take to tariff cutting (i.e., a formula cut versus the more traditional "request and offer" approach).

Negotiating submissions of interest, to date, include a Japanese offer to reduce all tariff rates to zero on industrial and mining products (while remaining silent on raw and semi-processed materials) and a Swiss proposal for a formula cut similar to that used in the Tokyo Round of MTN. More recently, Canada participated in a joint submission with Australia, Hong Kong, Hungary, New Zealand, Korea, and Switzerland. This joint submission focussed primarily on the modalities of a formula cut (the level of which is to be negotiated) and identified several alternatives to permit the complete elimination of low tariffs. To date, there has been very little response to this joint proposal. The primary advantage of a formula approach is that it reduces high tariffs proportionately more than low tariffs. In this way, it helps eliminate the twin problems of tariff peaks and tariff escalation which prevent British Columbia companies from increasing the value-added content of their exports.

British Columbia's interests in the tariff area are closely linked to the negotiations underway on natural resource-based products. British Columbia sectors most likely to benefit from a decrease in export market tariffs include forest products, fishing, mining, metals, agriculture, machinery and equipment, chemicals and plastics. British Columbia manufacturers and resource processors will also benefit from lower Canadian tariffs on many of the inputs which they use and must currently source from outside the province.

2. **Non-tariff Measures**: the aim of the negotiations is to reduce or eliminate non-tariff measures (particularly such common quantitative restrictions as quotas). To date, two negotiating approaches have emerged in addressing this objective. Some participants have proposed negotiating only those non-tariff measures which are consistent with the GATT, while eliminating all non-tariff measures which are GATT-inconsistent. Other participants believe that attempting to distinguish between GATT-consistent and inconsistent measures is a waste of time and that it makes much more sense to pursue a traditional request and offer approach on all non-tariff measures (whether GATT-consistent or inconsistent).

British Columbia supports the official Canadian position that the elimination of all GATT-illegal non-tariff measures (or at least the modification of non-conforming measures to bring them into line with GATT disciplines) must be a primary objective of the Uruguay Round. This particular area of discussion is of great importance to a trading province like British Columbia, because many of its major trading partners have come to increasingly rely upon a number of GATT-illegal "grey area" measures to deal with import competition.

3. **Natural Resource Based Products**: the aim of the negotiations is to achieve the fullest possible liberalization of trade in natural resource based products. A number of contentious issues have emerged in the discussions to date: (i.e., officially condoned price-fixing, dual pricing of natural resources, full or partial government ownership of resources, managed trade, security of supply access, and tariff escalation). It has been decided that negotiations in this sector will proceed on a traditional request and offer basis.

British Columbia's interests in this sector are primarily focussed on the question of market access (and thus related to discussions proceeding elsewhere in the negotiations on tariff and non-tariff barriers).

British Columbia would strongly object to any attempt to enshrine the concept of guaranteed access to natural resource supply, even if such an approach were linked to a trade-off in the form of expanded foreign market access for Canadian products. British Columbia's objections to this concept are predicated upon the negative implications that such a policy would have for domestic resource conservation and management.

Also of concern to British Columbia is the stated willingness of the federal government to consider opening up negotiations on natural resource export controls in exchange for possible progress on foreign barriers to trade in semi and fully processed natural resource products. British Columbia would have particular difficulty with such an approach because of its residual export controls on some natural resource products.

4. **Safeguards**: the aim of the negotiations is to develop a comprehensive agreement on safeguards. Safeguards are the emergency measures (such as additional duties and import quotas) which governments apply to imports causing or threatening to cause serious injury to domestic producers.

To date, two proposals of interest have emerged in the safeguard negotiations. One, (the "Asian" proposal,) envisages: a three year sunset on all safeguard actions; automatic monitoring of future safeguard actions by a GATT surveillance body; and the adoption of more objective criteria for the use of safeguard actions as well as for the evidence needed to demonstrate the linkage between import surges and domestic injury. The other (the Swiss/Brazilian proposal) urges the adoption of a whole new set of GATT provisions to govern safeguard actions.

British Columbia supports the initial Canadian position which urges greater discipline on all forms of safeguard actions, the tying of safeguard actions to pre-planned structural adjustment in the protected industry, and the inclusion of such "grey area" safeguard measures as voluntary export

restraints (VERs) and orderly marketing agreements (OMAs) in the negotiations.

5. **Subsidies and Countervailing Measures**: the purpose of reviewing the GATT articles and agreements which govern the use of subsidies and countervailing measures is to improve the discipline relating to these measures and thereby reduce their negative impact on international trade.

Issues to be negotiated include the determination of material injury, the definition of sale and "introduction into commerce", the imposition and duration of countervailing measures, and the measurement of the amount of countervailable subsidy. There appears to be some disagreement among the negotiating parties as to whether to proceed towards a general agreement on basic definitions and concepts or whether to focus, instead, on how to deal with the trade-distorting subsidies first, before returning to address the initial question of definitions.

British Columbia attaches a great deal of importance to this particular set of negotiations. Not only because both federal and provincial governments believe in the selective use of subsidies to achieve certain legitimate socio-economic objectives, but also because the United States (British Columbia's largest export market) is increasingly using countervailing duties to respond to what it perceives as import threats. To the extent that these issues were not addressed in the recently concluded Canada-U.S. Free Trade Agreement, the MTN negotiations may complement the 5 to 7 year FTA negotiations underway on subsidies and trade law. The current MTN Round also represents a unique opportunity for British Columbia to address these types of questions with its major non-U.S. trading partners.

6. **Dispute Settlement**: the purpose of the negotiations on this issue is to improve and strengthen the rules governing the GATT dispute settlement process. The present GATT dispute settlement process is largely "recommendatory" and lacks enforcement powers. Negotiations must, therefore, address such areas as the enhancement of the consultation and mediation process and the development of adequate arrangements for overseeing and monitoring the adoption and implementation of GATT panel reports.

One interesting proposal to emerge from the negotiations is a call for the creation of a separate GATT body dedicated solely to dispute settlement. As an alternative to this separate body, a series of regular dispute settlement meetings of the GATT Council (under a separate dispute settlement Chairman) has been proposed.

British Columbia has long maintained that an effective dispute settlement process is essential for the management of our external trade relations

(especially with our larger, more protectionist, trading partners.) A stronger GATT dispute settlement procedure (especially one combined with a greater international discipline on the use of subsidies and safeguards) would go a long way towards securing and expanding British Columbia's access to overseas export markets. Inherent in such a negotiating position, however, is an implicit undertaking to act on future GATT rulings (whether in British Columbia's favour or not).

7. **Services**: trade in services is one of the new areas of negotiation included for the first time in a GATT framework. The purpose of the negotiations is to establish a multilateral framework of principles to regulate international trade in services.

However, before substantive negotiations can begin, the contracting parties must first grapple with such issues as an acceptable definition of services trade, an enunciation of the concepts that will govern such trade, and the relationship between other international service trade organizations and the GATT services negotiations. Thus far, discussions have largely centered on the enunciation of general principles. Formal negotiations are not expected to begin until 1989.

The United States has assigned a particularly high priority to the services negotiations (much to the consternation of some developing country members who fear domination of their fledgling service sectors by U.S. based multi-nationals.)

Canada's approach to the services negotiations calls for agreement on a series of trade liberalizing principles (i.e., transparency and non-discrimination) with the actual negotiations to take place through the exchange of concessions.

British Columbia attaches a great deal of importance to the services negotiations because of the tremendous opportunities for future growth in this sector in British Columbia (i.e., consulting engineering, software design, and educational services). In addition, many of the province's current service sector exporters (such as the consulting engineers) have come to rely on overseas sales for a very large proportion of their total business.

Finally, it is hoped that the progress made during the recent Canada-U.S. free trade negotiations will serve as a stimulus to the larger more protracted MTN services negotiations by suggesting possible approaches to the liberalization of trade in services.

8. **Agriculture**: Included for the first time in an MTN setting, the question of agriculture has elicited some of the most far reaching and drastic proposals of all the Uruguay Round negotiating groups.

Generally speaking, the aim of the negotiations is to achieve a greater liberalization of trade in agriculture by bringing all measures which affect subsidies, import access and export competition under strengthened GATT rules and disciplines. Attention has initially focussed on the grains sector and, in particular, on the use of export subsidies. Other areas of interest include the reduction of import barriers, the development of an aggregate measure of protection/trade distortion, and the minimization of the adverse effects of technical and phytosanitary standards.

Several working papers have been tabled on the subject of agriculture. Perhaps the most provocative of these is the United States' proposal for a complete phase-out over 10 years of all agricultural subsidies which directly or indirectly affect trade and a similar phase-out of all import barriers. Not surprisingly, both the EC and Japan have responded with much more modest proposals in return. The EC, for example, has proposed a short-term "freeze" on agricultural support programs beginning no later than July,1989. Government support for agriculture would be frozen at 1984 levels for cereals, rice, sugar, vegetable oil, dairy products, and beef.

The Cairns Group, of 14 medium-sized agricultural exporters including Canada, has proposed an immediate halt to the current export and production subsidy spiral, a standstill on other trade barriers (such as import quotas,) and a commitment to the "responsible and non-disruptive" disposal of agricultural stockpiles. A second phase of adjustment is also proposed which would involve worldwide cuts or rollbacks in subsidies and a concerted opening of domestic markets to foreign products. Over the longer term, all trade-distorting subsidies and support measures would be eliminated, tariffs reduced (or eliminated), and agricultural trade placed firmly under GATT disciplines. Thus, the U.S. and Cairns Group proposals appear broadly compatible although they differ on the need for a short-term freeze on agricultural subsidies. The United States, for its part, appears reluctant to agree to any such move until the EC and Japan have agreed on a similar timetable.

British Columbia's interests in the agricultural negotiations are primarily focused on the red meats and horticultural sectors (including the soft fruit sector). Both these sectors enjoy a fairly high level of export orientation. In 1987, for example, British Columbia exported over $300 million worth of agri-food products (excluding fisheries products).

The export orientation of some British Columbia agriculture sectors must be weighed against the flexibility which the province may wish to preserve with respect to its supply management/marketing board regimes. A truly far-reaching liberalization of world agricultural trade must ultimately address the question of import controls which, in Canada, are imposed primarily in

support of domestic supply management programs but which may have the consequence of limiting export market opportunities for agri-food products when similar measures are imposed in foreign markets.

9. **Investment**: the aim of the negotiations is to elaborate whatever measures may be necessary to reduce the trade restrictive and trade distorting effects of TRIMs (trade related investment measures). Restrictive investment measures can take any number of forms including specific export requirements, local content rules, domestic sales criteria, investment incentives, manufacturing and licensing requirements, product mandating, and technology transfer requirements.

Within the multilateral context, the United States has explicitly linked trade and investment issues. The U.S. has taken the position that an open international investment environment is an essential counterpart to an open and expanded international trading environment. However, American attempts to bring greater attention to the issue of trade related investment measures have encountered stiff resistance particularly from GATT's developing country members.

Due to the difficulty of substantively addressing investment issues within an international trade fora, progress is likely to be slow on this issue during the current round of negotiations, even though the discussion of the investment issue may be restricted to just TRIMs. Investment remains a new area for international trade negotiations and continues to be a politically sensitive issue in many developing countries.

British Columbia encourages the federal government to take a broad approach to the negotiations on investment issues. For instance, negotiations should extend beyond TRIMs to ensure that the growing stock of Canadian investment overseas is protected from onerous obligations and restrictions. However, foreign direct investment should continue to be regulated for the purposes of national interest and cultural preservation.

In recent years, the provincial government has encouraged foreign direct investment in the province, particularly in the high technology, communications, aquaculture, business services, further processed wood products, and energy intensive sectors. This policy is consistent with British Columbia's position on the negotiation of investment issues in the MTN. The province feels that foreign direct investment in British Columbia cannot help but be enhanced by the establishment of more liberalized international investment rules.

10. **Other Areas of Interest**: There are a number of other negotiating items of importance to British Columbia on the Uruguay Round agenda. These include:

- trade related intellectual property rights (TRIPs)
- a review of GATT Articles, MTN Agreements and Arrangements
- a review of the functioning of the GATT system (FOGS)
- trade in tropical products
- trade in textiles and clothing

British Columbia will continue to monitor these issues as they evolve in the negotiations.

In addition, it is worth noting that while such issues as tropical products and textiles and clothing are of little direct importance to British Columbia, they are of very great importance to the developing countries of the Pacific Rim. In light of the fact that almost 35% of British Columbia's total exports are destined for the Pacific Rim, it may be worth identifying which specific developing country issues British Columbia and Canada could support (without, of course, jeopardizing our own producer interests). The resulting good will could later be utilized both within and without the Uruguay Round of negotiations. Countries of particular importance to British Columbia, in this respect, are the ASEAN region, China, Korea, and South Asia.

British Columbia's Preparations for the MTN:

British Columbia's preparations for the MTN will be very similar to those undertaken for the recently concluded Canada-U.S. Free Trade Agreement.

Working groups of provincial officials have been formed to pursue the following priority issue areas:

- trade in natural resources
- agriculture, fisheries and agri-food products
- trade remedy law
- services
- investment
- market access for manufactured end products

In addition, at their annual conference in Parksville, British Columbia, in May of 1988, the four western premiers established a working group of ministers responsible for trade and charged them with the responsibility of exploring possible areas of western Canadian cooperation on the MTN.

A collective western provinces' voice would not only ensure a higher profile for western Canadian MTN priorities and objectives, but also serve as a useful counterweight to central Canada's dominance in the setting of Canada's international trade negotiation objectives. Furthermore, the development of a joint western position on the MTN would not preclude the various provinces from making more detailed individual representations to the federal government.

At their first meeting in Vancouver in July, 1988, the western trade ministers, under the chairmanship of the Honourable John Jansen, Minister of International Business and Immigration for the Province of British Columbia, approved a joint MTN work program and agreed upon the need for a strong western Canadian role in any new or updated federal-provincial trade negotiations consultation process. Ministers also identified agriculture, natural resource products, and the functioning of the GATT system as three areas requiring priority attention. British Columbia has been, and will continue to be, a strong supporter of this kind of western Canadian cooperation.

Conclusion:

British Columbia attaches a great deal of importance to the Uruguay Round of Multilateral Trade Negotiations. This round of international trade negotiations has the potential to greatly influence the economic future of the province. As such, it represents the primary vehicle by which British Columbia will be pursuing market access issues with its major overseas trading partners. British Columbia, therefore, looks forward to a full and open participation with the federal government in the development of Canada's Uruguay Round negotiating mandate.

APPENDIX 2

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1992 AND THE SINGLE EUROPEAN COMMUNITY PROJECT

Importance of the European Community to British Columbia

The European Community (EC), consisting of Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom and West Germany, is a very important market for British Columbia exports. In 1987 the EC was the destination for approximately $2.2 billion of British Columbia goods accounting for 14 percent of the province's total exports. This percentage is greater than that of Canada's as a whole.

Member states of the EC are also the major export market for important British Columbia commodities such as plywood and canned salmon.

Background on 1992

The members of the EC are currently working to create a barrier-free international market by the end of 1992. At its fullest, Project 1992, or Europe without frontiers, would create a common market in which goods, people, services and capital would move among the 12 countries of the Community without obstacle.

The impetus for the project has been generated by a variety of factors:

- Freer markets could help reduce high unemployment rates prevalent in most European counties,
- a stronger and more liberalized internal market would assist the EC to become more competitive in world trade,
- the EC's Gross Domestic Product is expected to increase by 4.5% to 7%, and
- consumer prices are expected to decrease by about 6%.

A list of 300 separate measures, needed to create a wholly unified European market, together with a timetable for adoption, has been created. However, members of the Community will have to resolve some difficult problems in the areas of immigration, taxes and sovereignty if 1992 is to be achieved in its entirety. Within Europe, 1992 has led to a new business attitude. Generally, industry is welcoming 1992 initiatives and is working hard to position itself

to take advantage of the larger size of European markets. This will also increase the global competitiveness of European firms.

Outside of the EC, many countries are concerned about the 1992 Project. Europe free of internal barriers would have to have a common trade policy with respect to other countries. Many nations fear that the community will create a "Fortress Europe" which would impede foreign firms from accessing the EC market. Under such circumstances, it would be extremely difficult for British Columbia to develop new markets or sell new products to the Community.

Alternatively, an open post-1992 EC could present some excellent opportunities for British Columbia industry in terms of access to a larger and more integrated market. European officials are stating that they want the market's trade policy to be liberal and open. There is some indication that the best that Europe's trading partners can expect in those areas not covered by the rules of the GATT - such as the entire German sector - is a system of managed trade where demands for reciprocity of access are paramount.